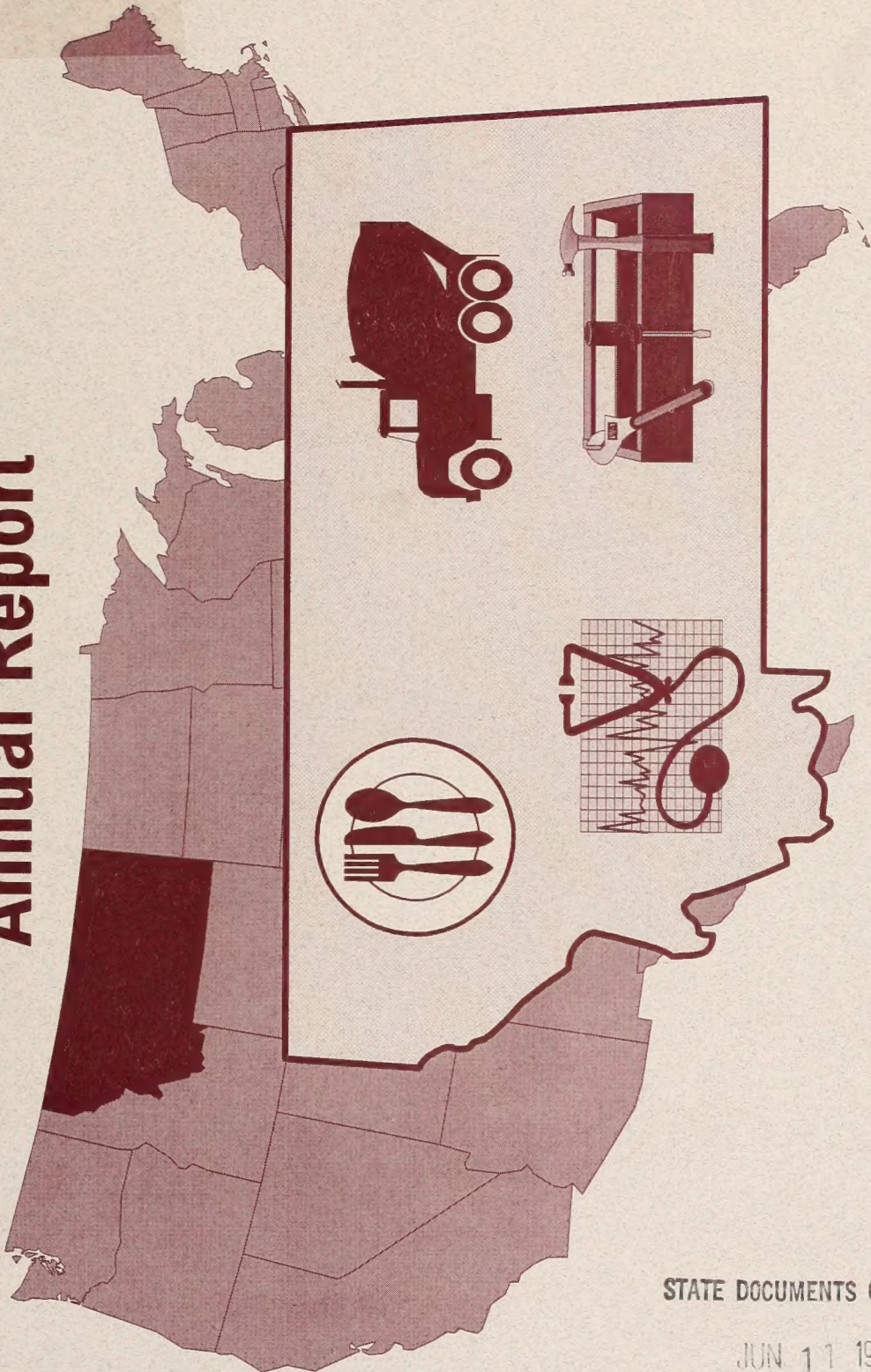


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Department of Labor and Industry  
Fiscal Year 1996

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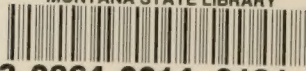
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# DEPARTMENT OF LABOR AND INDUSTRY

## EMPLOYMENT RELATIONS DIVISION

MARC RACICOT, GOVERNOR

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STATE OF MONTANA

TELEPHONE (406) 444-6530  
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HELENA, MONTANA 59604-1011

January, 1997

Dear Reader:

You hold the very first edition of the Montana Workers' Compensation Annual Report for Fiscal Year 1996. The information presented here is taken from the workers' compensation data base mandated by the 1993 Legislature to generate management information about Montana's Workers' Compensation System.

The appearance of this report marks a major milestone in providing workers' compensation insurance that is affordable for employers and effective for injured workers. With timely and objective information, the Governor and Legislature of Montana now have a new tool to apply in the management of the state's workers' compensation system. Hopefully this will allow a stable, cost-effective system that appropriately benefits all participants.

We have tried to provide valid information in an easily understood format. The system is new and in some areas has not yet accumulated sufficient data to provide the analysis and comparisons that will be available in the future. Wherever we were not confident in the data currently available, we have chosen to wait rather than present questionable information. We see a very bright future for our database as, over the years, it provides the information to see trends, make predictions and help decide on meaningful, appropriate changes.

This system was designed with the direct input from many workers' compensation professionals across Montana. Adjusters, insurers, employers, attorneys, medical providers, rehabilitation specialists, and legislators attended many meetings to provide the advice and guidance through which the system was developed. Thank you for a job well done!

Particular thanks are in order to the Workers' Compensation Insurance Adjusters who have had to change their reporting procedures in order to provide the information required by the new law. Changes in business procedures are rarely easy, and we are very appreciative of those adjusters who attended classes, provided feedback and adapted their procedures with good humor and a positive attitude. Thank you so much!

Although the Department's mandate was to provide management information to the Governor and Legislature, to the extent we can make this report useful to others as well, we are happy to do so. We intend for this report to be an increasingly valuable resource to the entire workers' compensation industry. If you have suggestions or comments about our report, please feel free to contact us.

Sincerely,

*Pat Haffey*  
Pat Haffey,

Commissioner  
Department of Labor and Industry

# I N T R O D U C T I O N



January, 1997

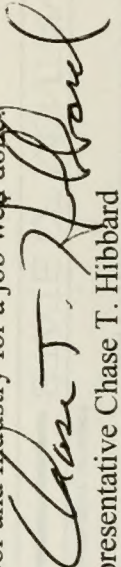
Dear Reader:

I am pleased to offer a few words of introduction to the Montana Workers' Compensation Annual Report for Fiscal Year 1996. This report represents the first published information generated by the new workers' compensation database.

House Bill 511, which I sponsored during the 1993 legislative session, mandated the development of the database in order to provide information to the legislative and executive branches of government. The bill grew out of a frustration with the lack of good information about our system available to policy makers. Legislative reforms were often made in a "shotgun" style hoping that one of many changes would actually make a difference. Accurate information was difficult to come by, and as a result it was nearly impossible to identify underlying causes of high costs and inefficiencies. Frequently, symptoms were managed rather than the real problems.

This new database provides valuable system-wide information which will help legislators and policy makers identify the "cost drivers" in workers' compensation. Great progress has been made in reforming the system in the last few years. That data included in this report is a first step toward providing the kind of information that will enable managers and legislators to fine-tune the system. We now have the tools to not only analyze the reforms already made, but also to provide information allowing us to take additional steps in providing an even better and more efficient system.

Hats off to the Employment Relations Division of the Department of Labor and Industry for a job well done!

  
Representative Chase T. Hibbard

W E L C O M E



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**Montana**  
**Workers' Compensation**  
**Annual Report**  
**Fiscal Year 1996**

**Workers' Compensation, a Brief History...**

A Brief History of Workers' Compensation  
Workers' Compensation in Montana  
The Role of the Montana Department of Labor and Industry  
Overview of the Workers' Compensation Database  
The Legislative Mandate of the Workers' Compensation Database  
Executive Summary





## A Brief History of Workers' Compensation

Workers' compensation laws represent a long-standing social and economic contract between employers and workers. It is a contract that provides protection and benefits for both groups in the event of an industrial injury. Workers' compensation was and is intended to provide simple, no-fault insurance protection to help both businesses and workers survive the costs associated with accidents that happen in the workplace.

Prior to the development of workers' compensation programs, common law principles held that employers were responsible for the injuries or fatalities of employees resulting from negligent acts of the employer. Workers who were injured on the job were able to sue their employers for damages, but they had to prove negligence on the part of the employer. This was often a lengthy and costly legal process with high risk for both the employer and the worker. As the industrial revolution led to a much higher rate of industrial injuries, it became apparent the court system simply operated too slowly and too harshly to bring speedy, low cost resolution to cases involving workplace injuries.

In 1911 the first state enacted a workers' compensation law, and by 1920 all 50 states had workers' compensation laws. The basic objectives of these new laws were as follows:

- to provide speedy access to medical benefits and wage replacement benefits for workers injured on the job, regardless of who was at fault;
- to prevent costly personal injury lawsuits, reduce legal costs, and ease the burden on the courts;
- to encourage employers to provide safe workplaces and reduce the number of accidents through experience rating and the study of the cause of injuries.

Under the social contract that is workers' compensation, employers must provide workers' compensation insurance for their employees. When employers provide this insurance, they are granted freedom from being sued for an injury. A worker's sole right to redress is in the benefits provided under the insurance, and workers are barred from suing their employer. This protection is referred to as the "exclusive remedy" of workers' compensation.

Employers are responsible for the cost of workers' compensation insurance, and that cost is considered a cost of business. Workers' compensation laws are strictly the purview of the states. No federal requirements or standards govern how states choose to operate their systems.



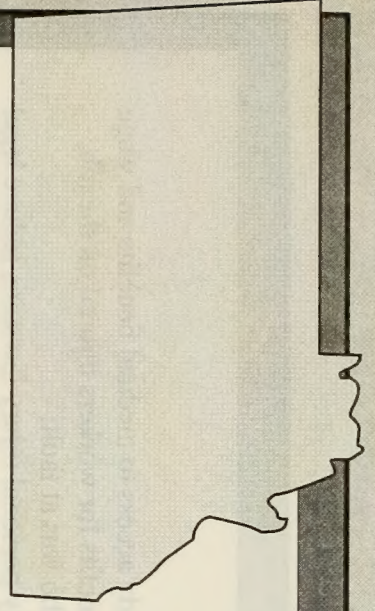
## Workers' Compensation in Montana

A workers' compensation system is a complicated network of organizations. It includes insurance carriers and adjusters, medical providers, state regulatory agencies, rehabilitative service providers, and of course, employers and workers. The Montana system consists of three different types of insurance coverage. Employers may self-insure for workers' compensation (Plan 1), buy their insurance from a private insurance company (Plan 2), or buy their insurance from the state-run insurance company known as the State Compensation Insurance Fund (Plan 3).

To self-insure, an employer must meet certain business and financial standards, and must be approved by both the Department of Labor and Industry and the Montana Self-Insurers Association.

Private insurers must be approved to write workers' compensation insurance in Montana by the Insurance Commissioner. In 1996, over 200 private insurance carriers were authorized to offer workers' compensation insurance in Montana.

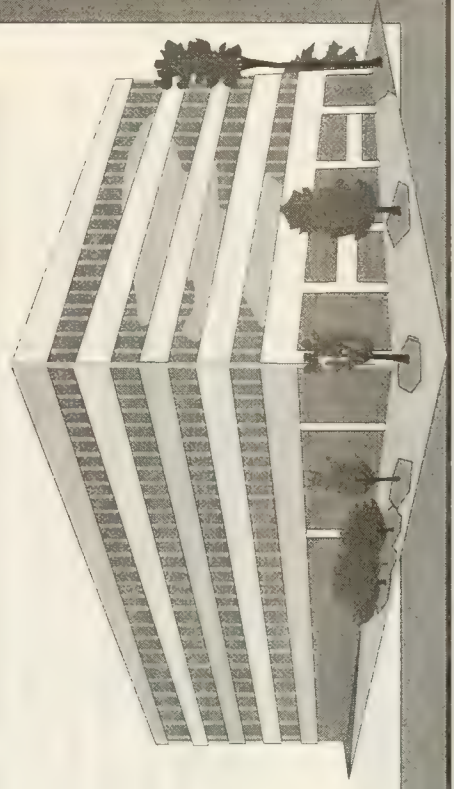
The State Compensation Insurance Fund (State Fund) is administered by the State of Montana, although it operates in the competitive marketplace with the private insurers. However, State Fund is the insurer of last resort in Montana, meaning that it must provide a policy to any employer who wishes to buy a policy. This requirement does not apply to private insurance companies.





## The Role of the Montana Department of Labor and Industry

The Department of Labor and Industry's Employment Relations Division is the regulatory body for workers' compensation in Montana. The Division ensures employer and insurer compliance with the Workers' Compensation Act, resolves disputes in the system, sets the fees which may be charged for medical services provided under the Act, operates the state's safety program, manages the workers' compensation database, and performs a variety of other workers' compensation-related activities. A more comprehensive description of those activities may be found in the later sections of this report.





## Overview of the Workers' Compensation Database

In the late 1980s and early 1990s, Montana's workers' compensation system seemed to be out of control. Premium rates were rising at an alarming rate, medical costs were soaring, and the courts seemed to be changing the rules on what benefits injured workers were entitled to receive. The "unfunded liability" at State Fund grew from tens of millions of dollars to hundreds of millions, and private insurers were leaving the Montana marketplace in droves.

Both Governor Ted Schwinden and Governor Stan Stephens formed task forces to examine Montana's troubled workers' compensation system and make recommendations on how to fix the problems. For five regular sessions of the legislature, and several special sessions, reforming "workers' comp" was a major topic. Each of the task forces and each group of legislators was faced with a common problem: the lack of solid, reliable management information about the workers' compensation system.

Efforts to remedy the problems were being based largely on perception and anecdote. Montana needed to gain better control of a program that paid out over \$200 million in benefits. In order to increase control, Montana needed improved management information to focus and monitor reform efforts.

In the 1993 legislative session, Representative Chase Hibbard introduced legislation that created the workers' compensation database. Passed with a package of system reforms that included medical cost containment and tougher measures on fraud, the database bill gave Montana its first opportunity to collect and analyze data from all workers' compensation insurers. In addition, the database was legislatively designed to enable Montana to compare the performance of the system with that of other states' systems.

The goal of the database is to provide credible management data, and to identify successes, problem areas, and ways to control or reduce cost drivers in workers' compensation. Secondly, the database will allow future monitoring of changes made to the system and determine if those changes have had the desired effect. It will provide a tool that will allow Montana to manage its workers' compensation system instead of merely responding to it.



## The Legislative Mandate of the Workers' Compensation Database

The requirements for developing the workers' compensation database and gathering information are outlined in law. The database was to be operational by July 1, 1995. The Employment Relations Division (ERD) began using the database beginning April 17, 1995.

The law required information to be collected and compiled from insurers, employers, medical providers, claimants, adjusters, rehabilitation providers, and the legal profession. To meet this requirement, ERD established rules governing the collection of data effective July 1, 1995. With the exception of detailed medical data, all the requested information is being collected. Claimant legal fee, indemnity, medical and rehabilitation cost information will be included in future annual reports.

The law mandated data collection to provide management information to the legislative and executive branches for the purpose of making policy and management decisions, including:

- performance information to enable the state to enact remedial efforts to ensure quality, control abuse, and enhance cost control;
- utilization and trend information on medical, indemnity, and rehabilitation costs;
- litigation and attorney-involvement data for the purposes of identifying trends, problem areas, and costs of legal involvement.

Currently, management data is being provided and is included in this first annual report. Performance information, utilization information on medical, indemnity and rehabilitation costs, and litigation and attorney-involvement data needed to map trends will become available in the future.

The Legislature mandated ERD to design a system that minimizes the impact on reporting agencies, allows interstate comparison of data, assures accuracy and confidentiality, allows electronic collection of data, and maintains a reasonable cost of data collection. To achieve these goals the database system was designed with input and approval of a task force comprised of adjusters, insurers, employers, legislators, State Fund, Montana Health Care Authority, the Legislative Auditor, and rehabilitation providers. The task force adopted International Association of Industrial Accident Boards and Commissions (IAIABC) standards, accepted forms based on reporting, guided rule development, approved data elements to be collected, and aided in the development of both the First Report of Injury and Subsequent Report forms used to report injury and benefit information to ERD.

Finally, the law requires ERD to publish an annual report based on data collected for workers' compensation for the legislative and executive branches. The Montana Workers' Compensation Annual Report for Fiscal Year 1996 is the first of these reports.



## Executive Summary

For many years, comprehensive objective workers' compensation system data was not available. In 1993, the Montana State Legislature passed a law mandating the Employment Relations Division establish a database to capture and compile workers' compensation information and publish an annual report on the state of the system. In your hands is the first of these reports.

This annual report contains information gathered from the new database and other sources. It provides descriptive statistics about workplace injuries and diseases that occur in Montana. In addition, you will find information about workers' compensation programs, the dispute process, payments to claimants, and insurance premium dollars spent. Listed below are the highlights you will find in this report.

- There were 31,519 reported workers' compensation injuries used in the annual report.
- Most injuries were strains, sprains, or ruptures caused by straining, jumping, or lifting. Upper extremities and the back were the most commonly injured parts of the body.
- Injuries primarily occurred Monday through Thursday between the hours of 9:00am and 11:00am. August was the month with the most injuries.
- The service industry was responsible for 32% of all injuries reported in Fiscal Year 1996 (FY96). Retail trade had the second most injuries (20%).
- Construction and manufacturing had the highest injury rates in comparison to their employment rates.
- Males reported 64% of all injuries in FY96, but they make up only 54% of the work force.
- Ages 35 to 44 had the most injuries, but this age group also contained the most employees. Ages 16 to 24 reported the highest proportion of injuries relative to the number of employees.
- Nearly 20% of all reported injuries involved workers employed in their current job for less than a year.
- Plan 1 injuries were fairly evenly distributed between males and females. Males in Plan 2 and Plan 3 reported over twice as many injuries as females.
- Plan 3 indemnity payments declined from Fiscal Years 1992 to 1996 while the other two plans remained the same. Premium dollars decreased for Plan 3 and increased for Plan 2, which may be due to changes in the market share.
- Average settlement amounts have been decreasing since 1987, corresponding to legislative reductions in benefits allowed.
- Mediation has consistently resolved about 80% of its cases for the last four fiscal years.



## Executive Summary Continued

- The Occupational Disease panel took an average of 110 days to complete a case.
  - Total Subsequent Injury Fund payments in FY96 for all dates of injury were \$350,478.
  - Over \$3,000,000 in penalties were assessed against uninsured employers in FY96. Approximately \$1,015,000 in penalties were collected by the Uninsured Employers' Fund unit.
  - The Safety Bureau completed 241 mandatory inspections of public employers and 106 on-site inspections of private employers. There were 57 coal mining inspections performed and 196 metal/nonmetal mining inspections.
  - The construction industry received nearly 48% of all independent contractor exemptions in FY96.
  - Contractor registrations peaked in October, 1995, when the program began, and again in June, 1996, to meet the July 1st deadline.
- Future annual reports will provide a more complete picture of the workers' compensation system in Montana. As more data become available, it will be possible to develop trend and cost driver information.







**Montana  
Workers' Compensation  
Annual Report  
Fiscal Year 1996**

**Who Gets Hurt ...**

Overview  
Gender and Age  
Length of Employment  
Industry and Employment Comparisons  
Plan and Industry







## Overview



This section outlines who gets hurt in the workplace. The section is separated into groups dealing with the age and gender of the injured worker, the length of time the employee worked prior to getting injured, the percentage comparisons of employment and injuries, and a view of the industry divisions by plan type. The percentage comparisons provide a view of occupational diseases and injuries and employment within each industry division.

The titles of the graphs displayed in this section use the word "injury" in the description. This was done to make the title short and succinct, but "injury" includes both workplace injuries and occupational diseases. Refer to the Definitions section in the Appendix for explanations of occupational injury and occupational disease.

The industry divisions are categorized using Standard Industrial Classification (SIC) Codes. Refer to the Definitions section in the Appendix for a detailed explanation of those codes.

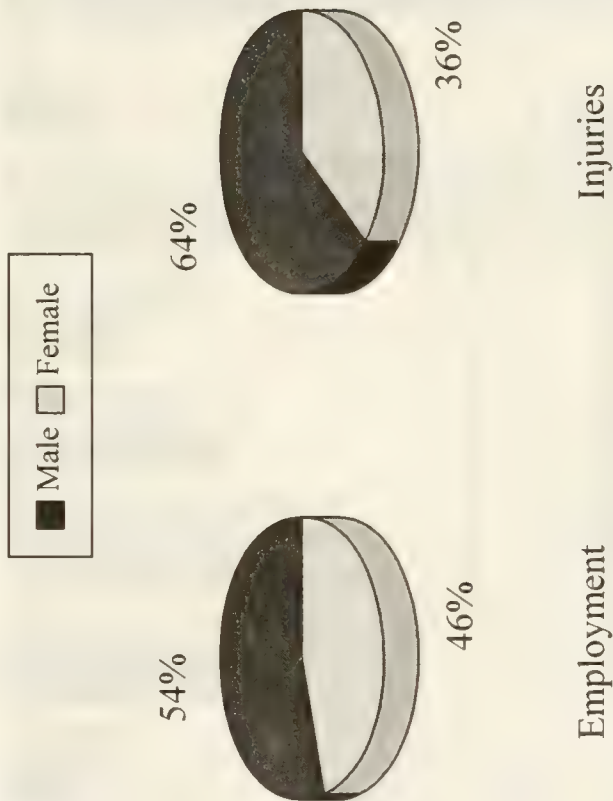
A copy of the detailed data used to create the annual report is contained in the Data Supplement to the Montana Workers' Compensation Annual Report for Fiscal Year 1996. To request a copy, contact Sue Thompson (phone 406-444-0981, FAX 406-444-4140).







### Employment\* and Injury Comparisons by Gender, FY96



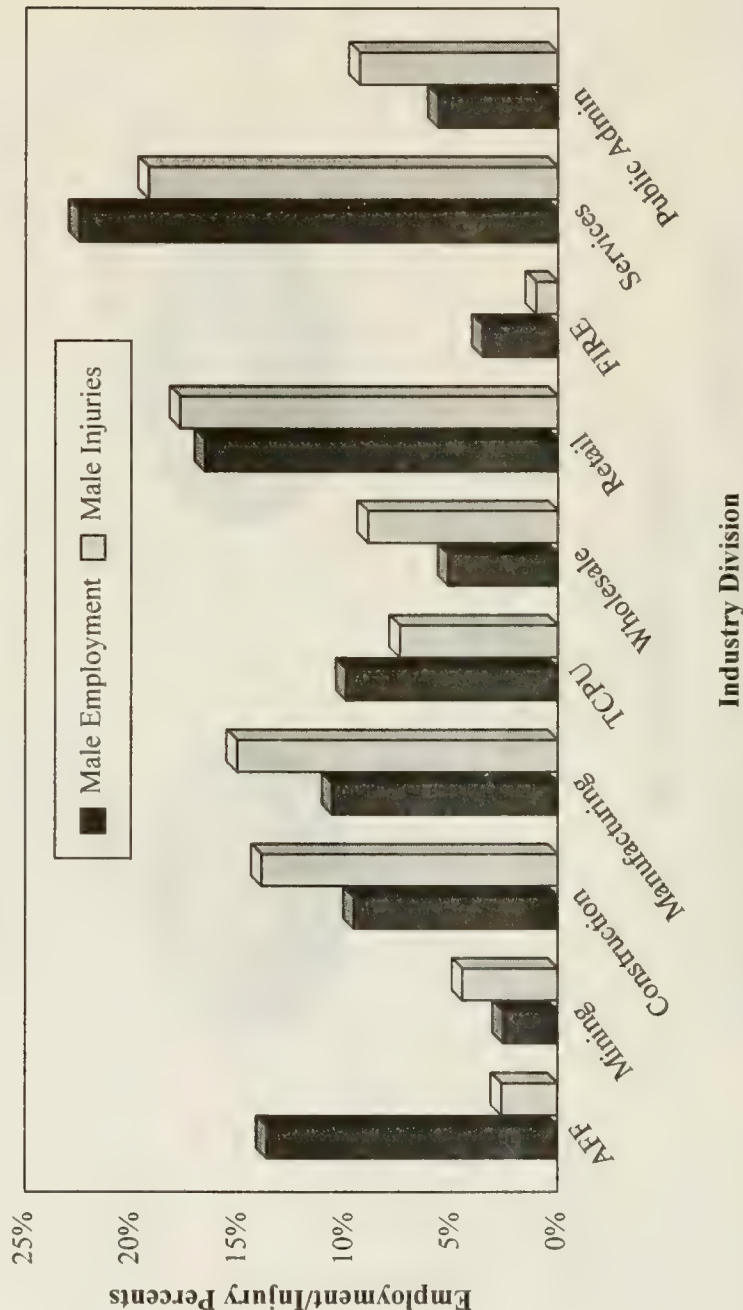
- \* Employment percents are from the 1990 Census
- Injury refers to both occupational disease and injury

- Although the ratio of men to women in the workforce is almost equal, men incur almost twice as many injuries as women. Men may be engaged in more hazardous occupations than women.

## Gender and Age

- Almost 11% of all male employment is in manufacturing, but these workers reported 15% of all injuries.
- Construction and manufacturing had the highest proportions of injuries reported by males, while services and AFF had the smallest proportions of injuries reported by males.

### Employment\* and Injury Comparisons by Industry for Males, FY96



\* Employment percents are from the 1990 Census

● Injury refers to both occupational disease and injury

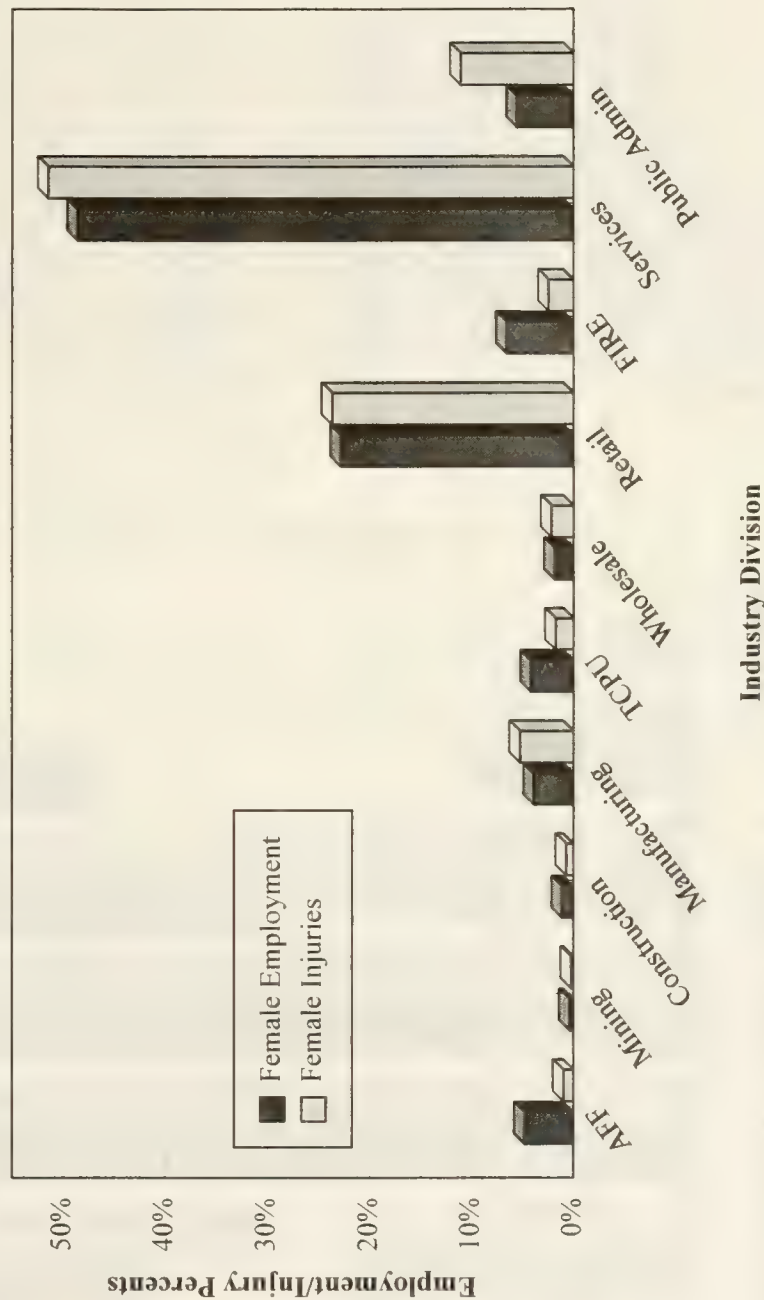
AFF = Agriculture, Forestry, and Fishing  
TCPU = Transportation, Communication, and Public Utilities  
FIRE = Finance, Insurance, and Real Estate



## Gender and Age

- Public administration and services had the highest proportion of injuries reported by females while AFF and FIRE had the smallest proportions of injuries reported by females.

### Employment\* and Injury Comparisons by Industry for Females, FY96

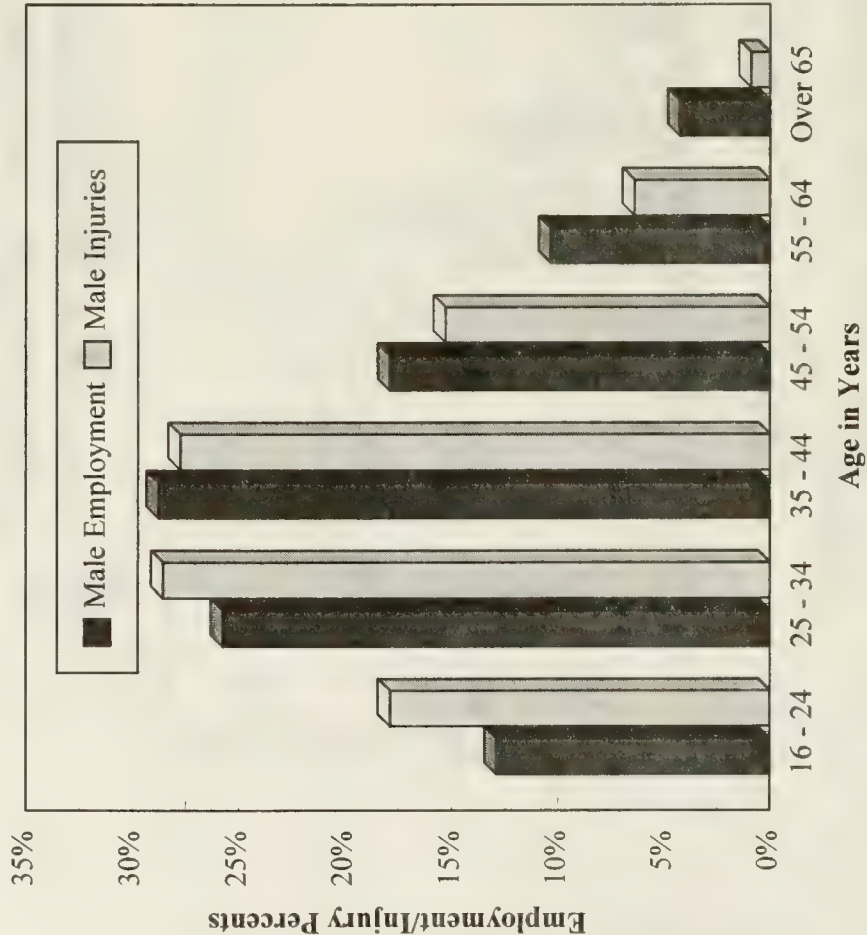


- \* Employment percents are from the 1990 Census
- Injury refers to both occupational disease and injury

AFF = Agriculture, Forestry, and Fishing  
 TCPU = Transportation, Communication, and Public Utilities  
 FIRE = Finance, Insurance, and Real Estate

Gender and Age

Employment\* and Injury Comparisons  
by Age for Males, FY96



\* Employment percents are from the 1990 census  
• Injury refers to both occupational disease and injury

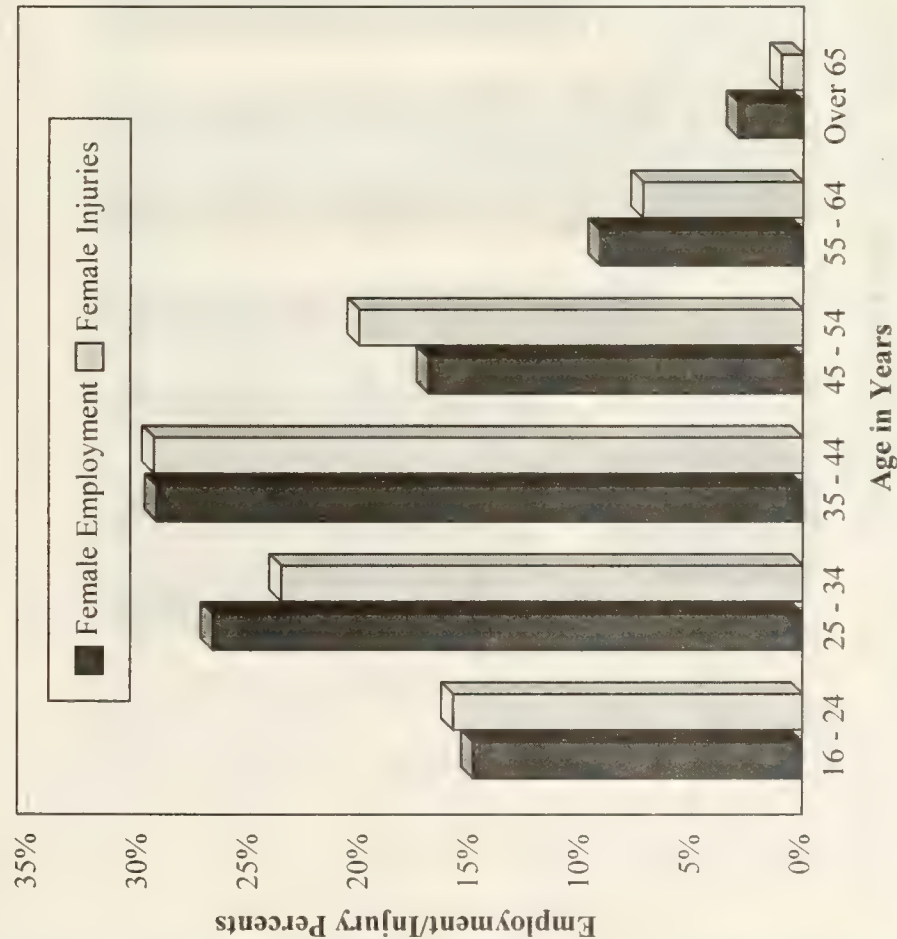
Total Employment and Injury Rates

Age	Employment	Injury
16 - 24	14%	18%
25 - 34	26%	28%
35 - 44	29%	29%
45 - 54	17%	18%
55 - 64	10%	7%
over 64	4%	1%

- Younger workers reported disproportionately more injuries than older workers. Injuries to male workers seem to drive this, possibly due to more hazardous jobs worked by younger men.
- The number of injuries reported by the middle-aged workers seems approximately proportional to their numbers in the workforce.
- Only 13% of all male employees were ages 16 to 24, but 18% of all injuries reported by males were by ages 16 to 24.
- Males had proportionally more injuries in the 16 to 34 age group.



## Employment\* and Injury Comparisons by Age for Females, FY96



\* Employment percents are from the 1990 census  
 • Injury refers to both occupational disease and injury

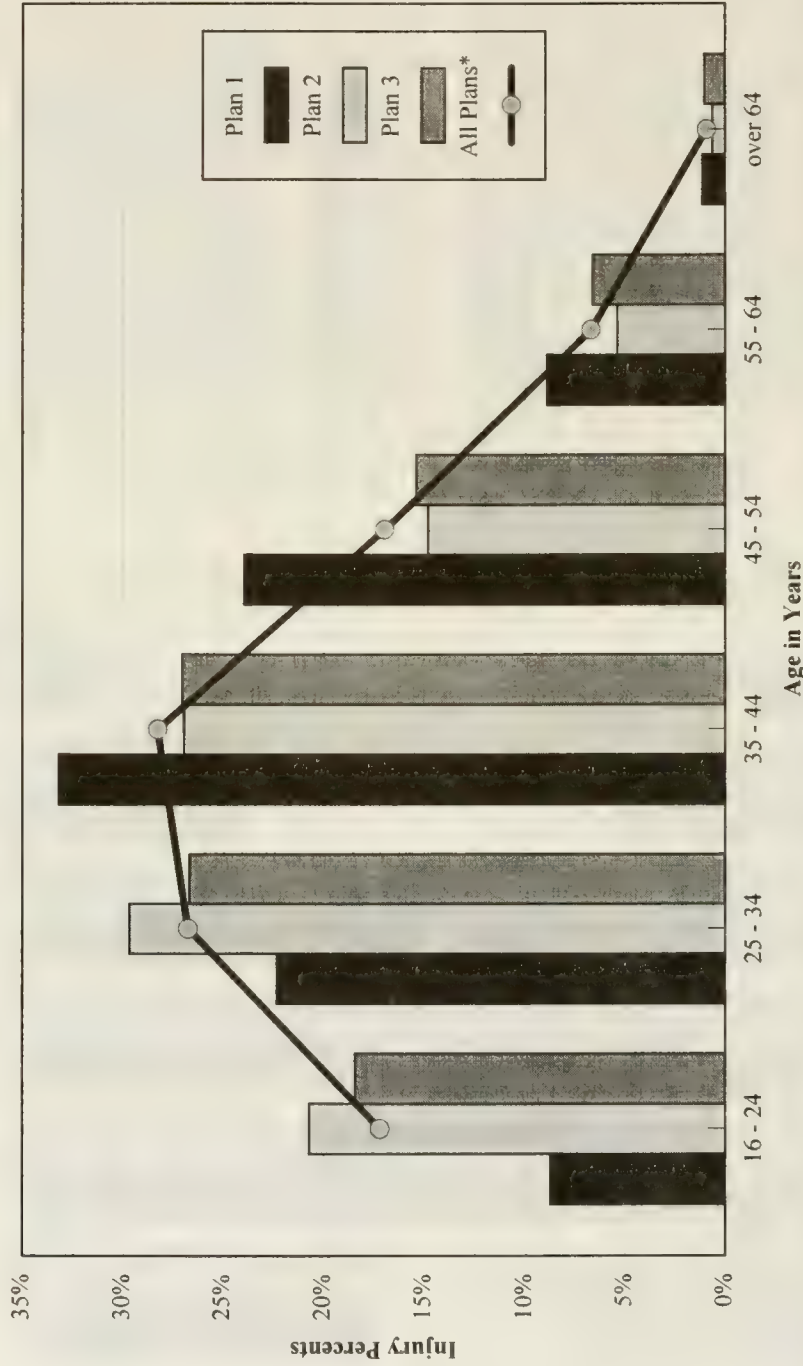
### Total Employment and Injury Rates

Age	Employment	Injury
16 - 24	14%	18%
25 - 34	26%	28%
35 - 44	29%	29%
45 - 54	17%	18%
55 - 64	10%	7%
over 64	4%	1%

- Younger workers reported disproportionately more injuries than older workers.
- The number of injuries reported by the middle-aged workers seems approximately proportional to their numbers in the workforce.
- About 17% of all female employees were ages 45 to 54, but 20% of all injuries reported by females were by ages 45 to 54.
- Females had proportionally more injuries in the 45 to 54 age range.

## Gender and Age

### Injury Percents by Age within Plan, FY96



• Injury refers to both occupational disease and injury

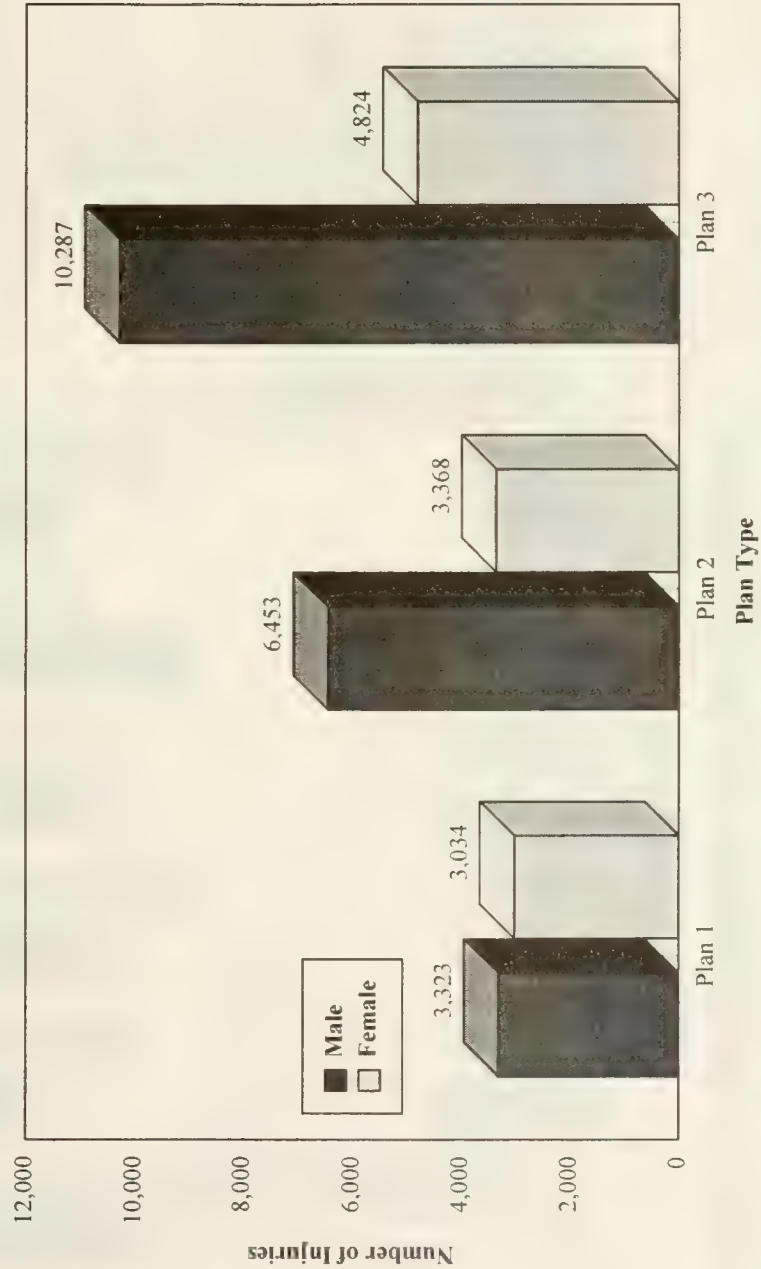
- Self-insured employers probably had proportionately more workers ages 35 to 54 than the other two plan types.
- Private insurance companies probably insured proportionately more employers with workers ages 16 to 34.
- Employers with Plan 3 coverage probably employed a consistent cross-section of age groups.



## Gender and Age

- Males and females reported a similar number of injuries for Plan 1. For Plan 2 and Plan 3, males reported about twice as many injuries as females. The differences may be explained by the types of industries dominating each plan type.

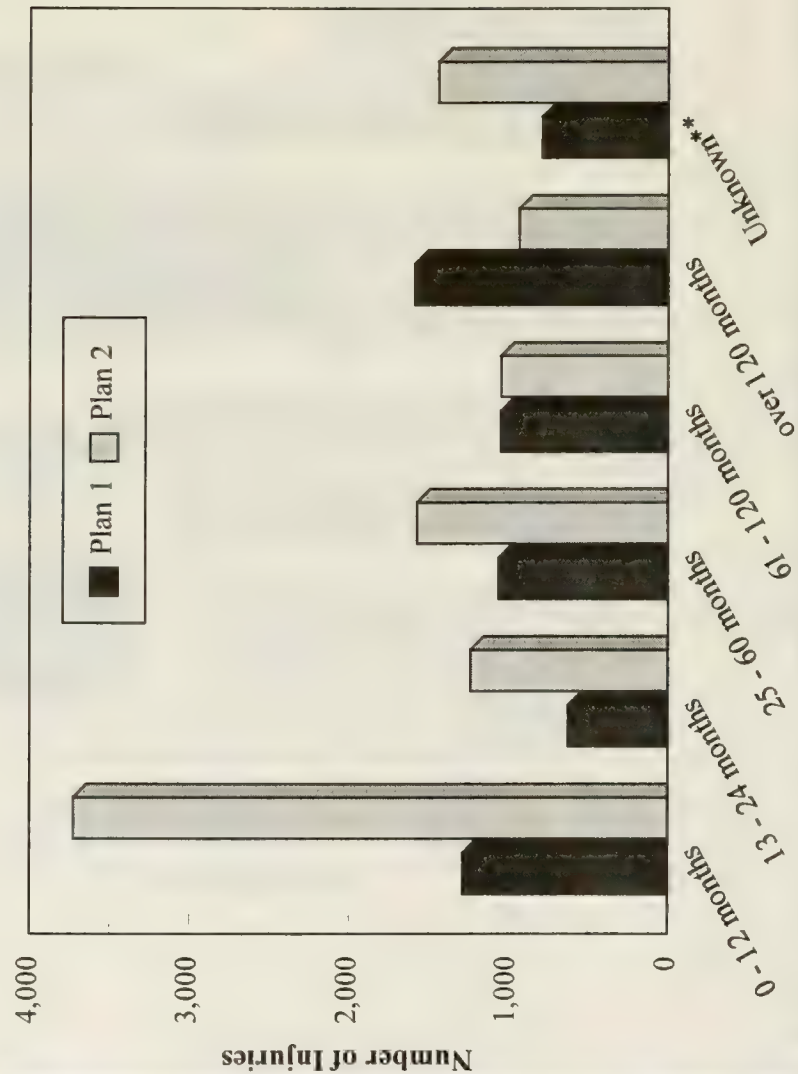
### Injuries by Gender and Plan, FY96



- Injury refers to both occupational disease and injury

Length of Employment

Length of Employment at Time of Injury  
by Plan\*, FY96



Length of Employment

<u>Length of Employment</u>	<u>Total Injuries</u>
0 - 12 months	5,026
13 - 24 months	1,868
25 - 60 months	2,647
61 - 120 months	2,099
Over 120 months	2,528
Unknown**	2,234

- Workers with one year or less service for their current employer had 31% of all Plan 1 and Plan 2 injuries. This large percentage may be attributed to relative inexperience, younger ages, or a disproportionately high representation within the workforce.
- Of the 5,026 injuries reported by workers with one year or less of service, almost 50% occurred to workers with only 3 months or less service.

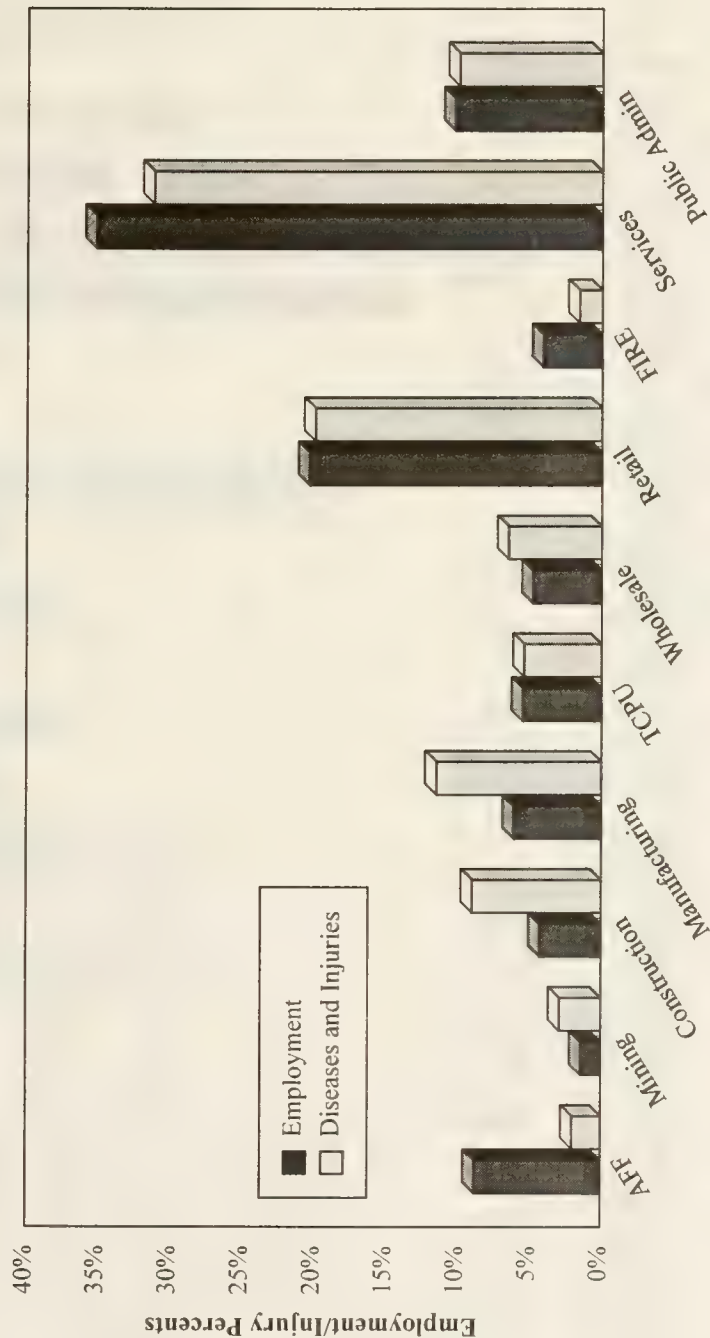
\* Length of Employment is not available for Plan 3  
\*\* Refer to Occupational Disease and Injury under Methodology in the Appendix for an explanation  
• Injury refers to both occupational disease and injury



## Industry and Employment Comparisons

- The construction industry represents 4% of all employment in Montana and 9% of all injuries reported in FY96.
- Construction and manufacturing show a higher percentage of reported injuries compared to employment.

### Employment\* and Injury Percent Comparisons by Industry, FY96



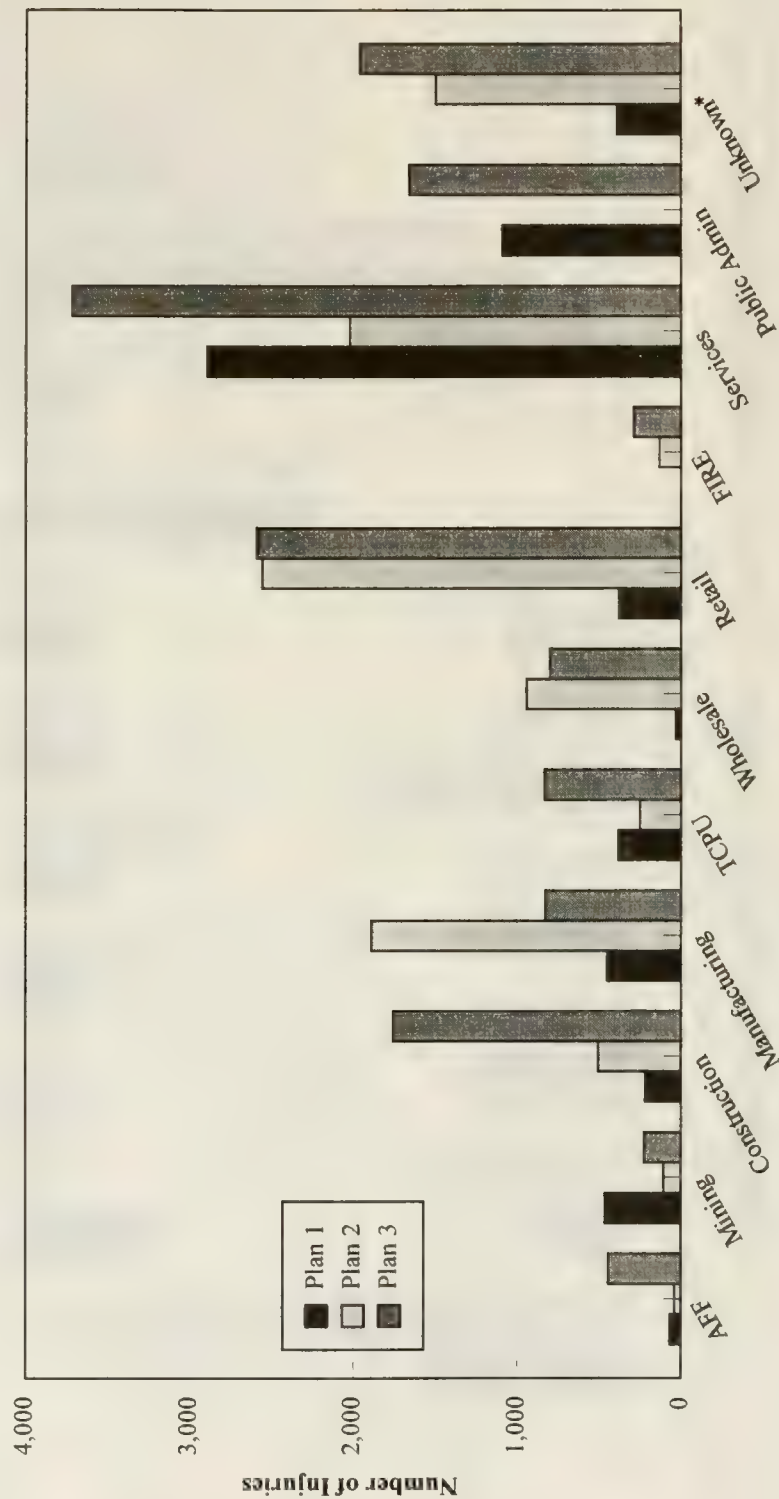
#### Industry Division

- \* 1995 industry employment estimates are from the Research and Analysis Bureau, Department of Labor and Industry
- Injury refers to both occupational disease and injury
- AFF = Agriculture, Forestry, and Fishing
- TCPU = Transportation, Communication, and Public Utilities
- FIRE = Finance, Insurance, and Real Estate

# Plan and Industry

- For a given plan, a larger number of injuries in an industry may correspond with that plan's market share of the industry.
- Plan 2 had no injuries in public administration, probably because the law requires state agencies to obtain coverage with Plan 3, and most towns, cities, and school districts are covered by Plan 1.

## Injuries by Plan and Industry, FY96



### Industry Division

\* Refer to Occupational Disease and Injury under Methodology in the Appendix for an explanation

- Injury refers to both occupational disease and injury

AFF = Agriculture, Forestry, and Fishing  
 TCPU = Transportation, Communication, and Public Utilities  
 FIRE = Finance, Insurance, and Real Estate



**Montana**  
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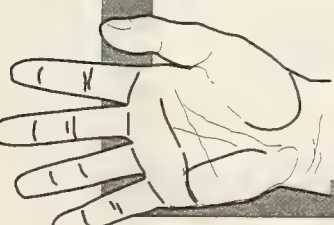
**The How, What, Where, and When of  
Occupational Diseases and Injuries ...**

Overview  
How the Injury Occurred  
What Injury Occurred  
Where the Injury Occurred  
When the Injury Occurred





## Overview



Many data elements are collected from the First Report of Injury. This section uses some of the elements to represent how occupational diseases and injuries happen, what causes them, where they happen, and when they occur.

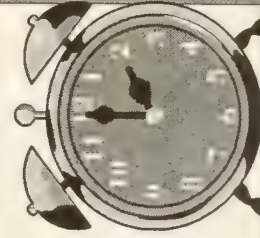
The titles of the page headers and graphs displayed in this section use the word "injury". "Injury" was used to make the titles short and succinct and includes both workplace injuries and occupational diseases. Refer to the Definitions section in the Appendix for explanations of occupational disease and occupational injury.

The data elements were graphed by plan and industry only if the resulting graph demonstrated unusual occurrences.

The industry divisions are categorized using Standard Industrial Classification (SIC) Codes. Refer to the Definitions section in the Appendix for a detailed explanation of those codes.

The codes used to define the cause, nature, and part of body of the occupational disease or injury are standard codes from the National Council on Compensation Insurance - Detailed Claim Information (NCCI-DCI). These codes were defined and categorized into similar groups for use in this report. Refer to the Definitions section in the Appendix for the detailed explanation of the code categories.

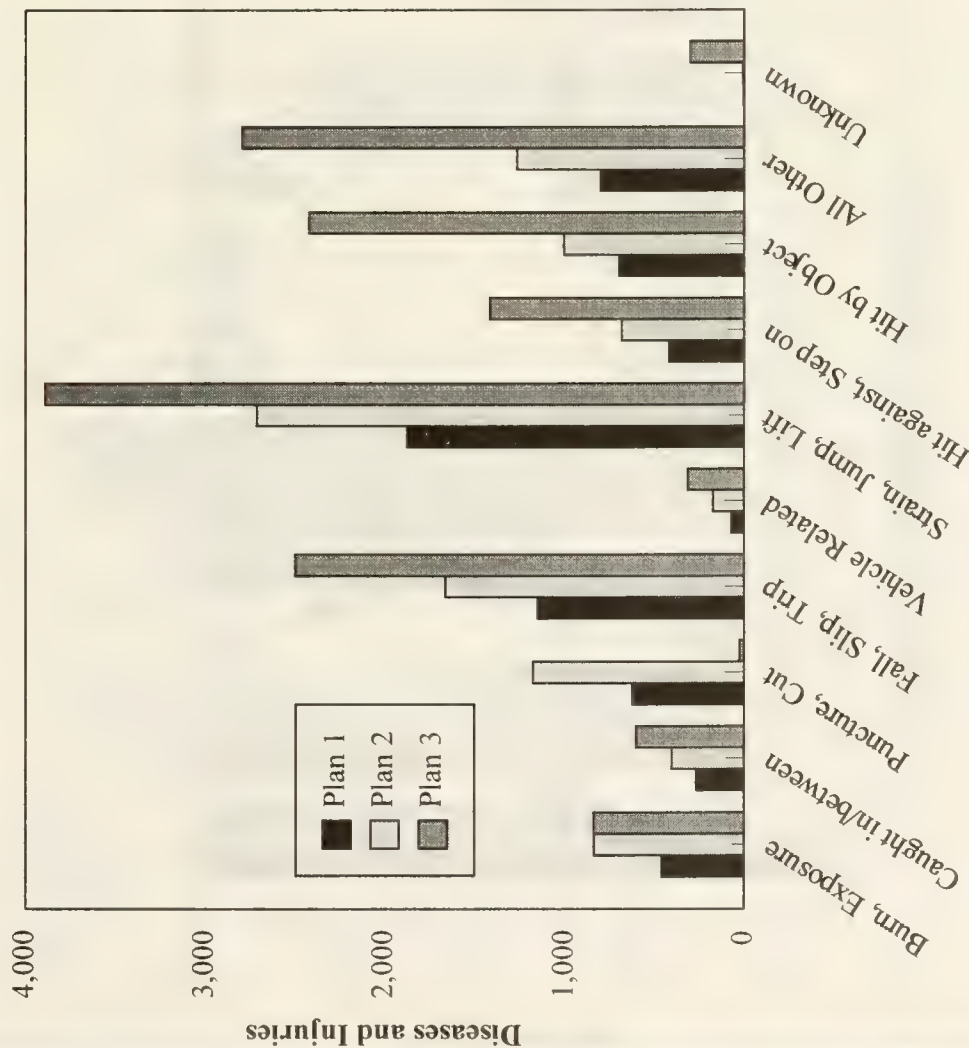
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## Cause\* of Injuries by Plan, FY96



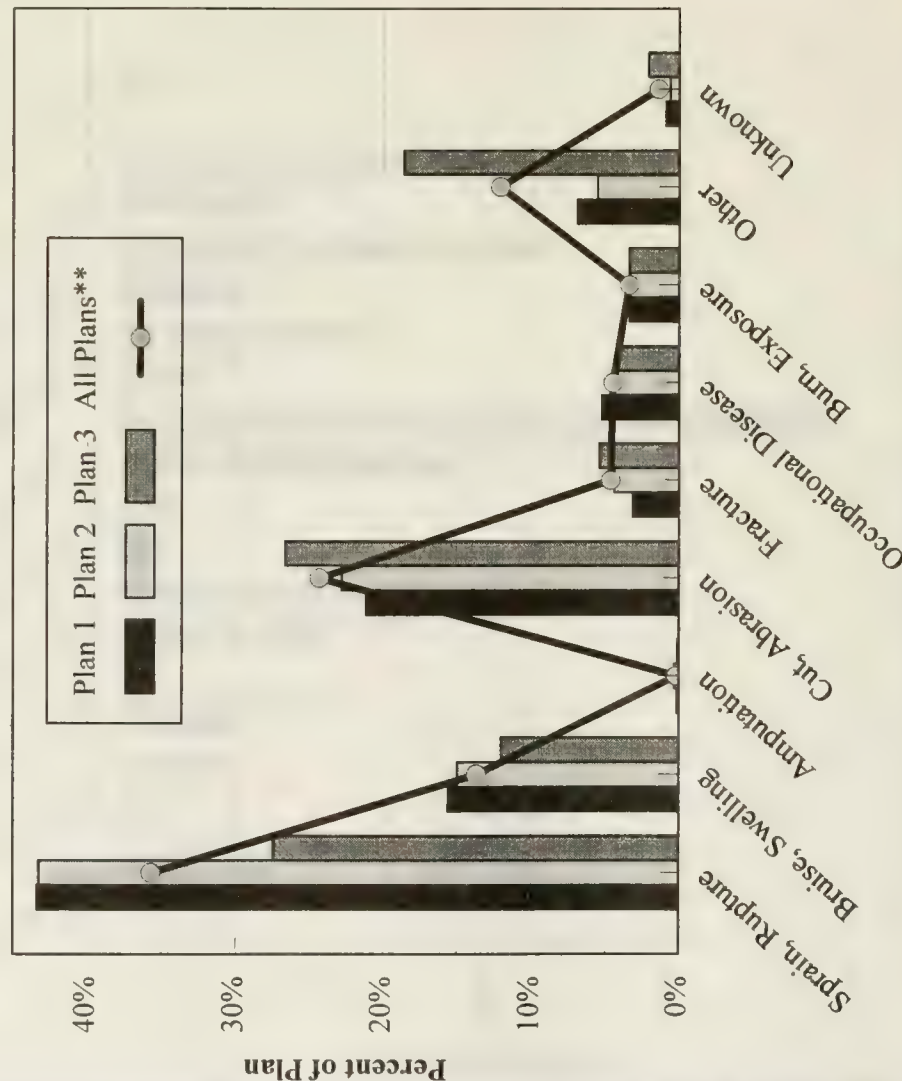
<u>Causes of Injury</u>	<u>Total Injuries</u>
Burn, Exposure	2,150
Caught in/between	1,286
Puncture, Cut	1,838
Fall, Slip, Trip	5,323
Vehicle Related	568
Strain, Jump, Lift	8,488
Hit against, Step on	2,533
Hit by Object	4,139
All Other	4,875
Unknown	319

- 27% of all injuries were caused by straining, jumping, or lifting. The next most common cause was falling, slipping, or tripping.
- The conversion process of Plan 3 data is being researched further to determine why there were not many punctures or cuts appearing on this report.
- Since injury coding is performed by insurers, adjusters, and other individuals, the variations in plans may be a result of coding differences.

\*Refer to the Definitions section in the Appendix for an explanation of Cause codes  
 ● Injuries refer to both occupational diseases and injuries

# What Injury Occurred

## Distribution of Injuries by Nature\* within Plan, FY96



\* Refer to the Definition section in the Appendix for an explanation of Nature codes

\*\* "All Plans" is the plan average

- Injuries refer to both occupational diseases and injuries

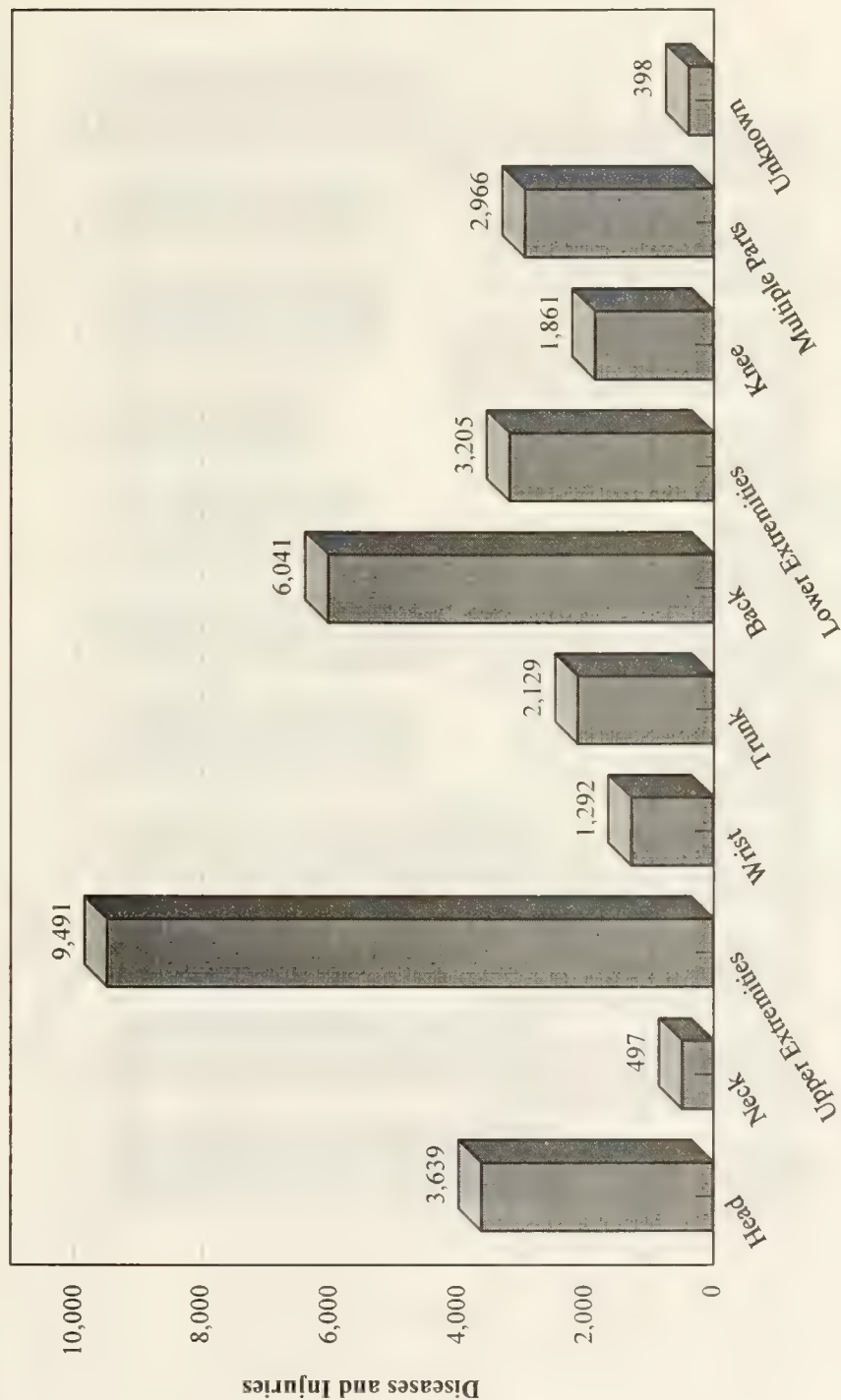
<u>Nature of Injury</u>	<u>Total Injuries</u>
Sprain, Rupture	11,255
Bruise, Swelling	4,320
Amputation	67
Cut, Abrasion	7,669
Fracture	1,462
Occupational Disease	1,418
Burn, Exposure	1,070
Other	3,815
Unknown	443

- Sprains and strains account for 35% of all reported injuries. Cuts and abrasions is the second largest nature category.
- The percent of injuries reported by Plan 3 that are coded as "other" is 3 times higher than the percent of "other" injuries reported by Plan 1 and Plan 2.
- Since injury coding is performed by insurers, adjusters, and other individuals, the variations in plans may be a result of coding differences.



## Where the Injury Occurred

### Part of Body\* Affected by Injury, FY96



\* Refer to the Definition section in the Appendix for an explanation of Part of Body codes

• Injuries refer to both occupational diseases and injuries

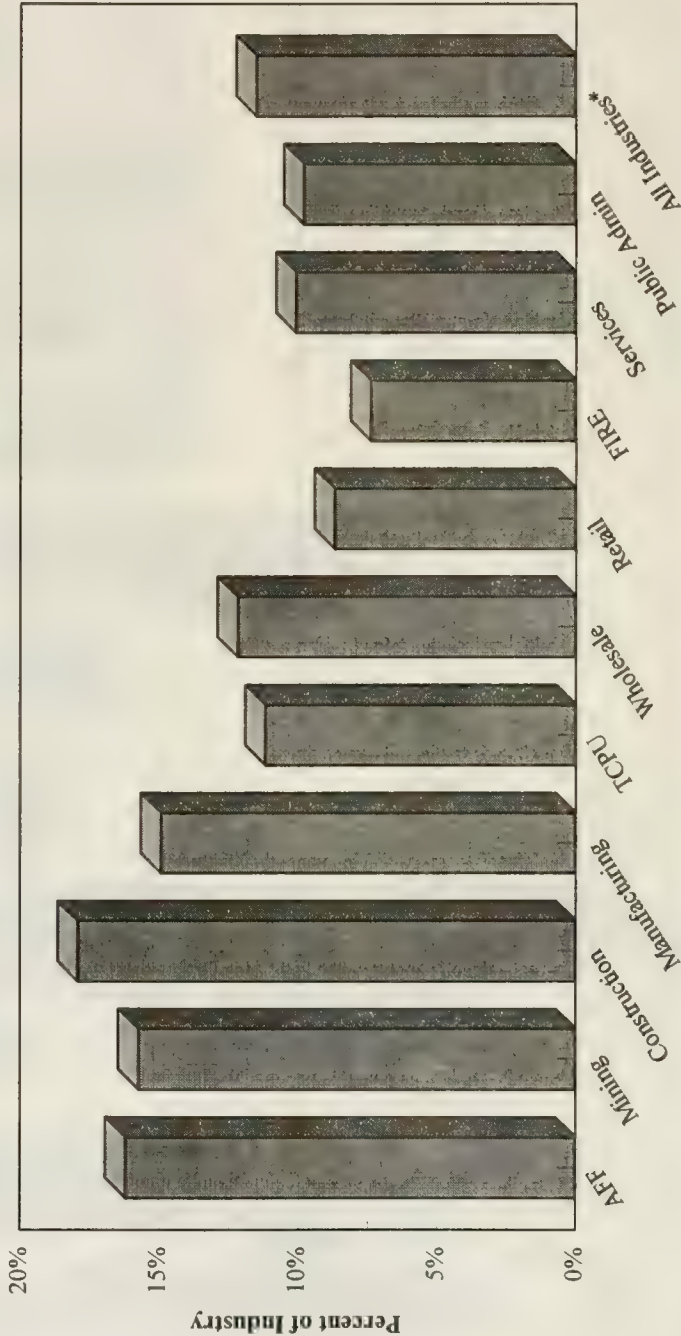
• 30% of the injuries in Fiscal Year 1996 affected the upper extremities.

• Back problems accounted for 6,041 injuries, or 19%.

# Where the Injury Occurred

- Head injuries were distributed unevenly across the industries.
- 18% of all construction injuries reported were head injuries.
- AFF, mining, construction, manufacturing, and wholesale trade have higher proportions of head injuries overall than white collar industries, such as retail trade, FIRE, and public administration.

## Distribution of Head Injuries within Industry, FY96



\* "All Industries" is the industry average  
● Injury refers to both occupational disease and injury

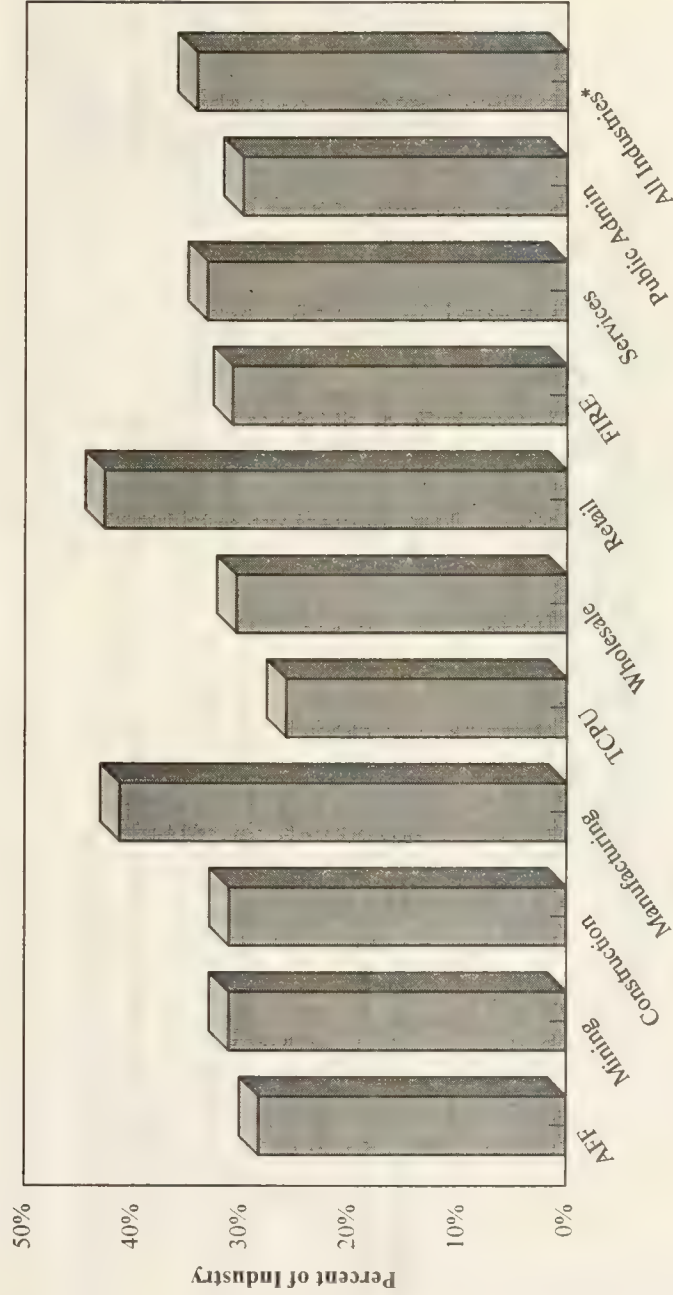
AFF = Agriculture, Forestry, and Fishing  
TCPU = Transportation, Communication, and Public Utilities  
FIRE = Finance, Insurance, and Real Estate



## Where the Injury Occurred

- Upper extremity injuries were distributed unevenly across the industries.
- 41% of all reported injuries in the manufacturing industry affected an upper extremity.
- 43% of all retail trade injuries reported an upper extremity as the part of body injured.

## Distribution of Upper Extremity Injuries within Industry, FY96



Industry Division

AFF = Agriculture, Forestry, and Fishing  
 TCPU = Transportation, Communication, and Public Utilities  
 FIRE = Finance, Insurance, and Real Estate

- \* "All Industries" is the industry average
- Injury refers to both occupational disease and injury

## When the Injury Occurred

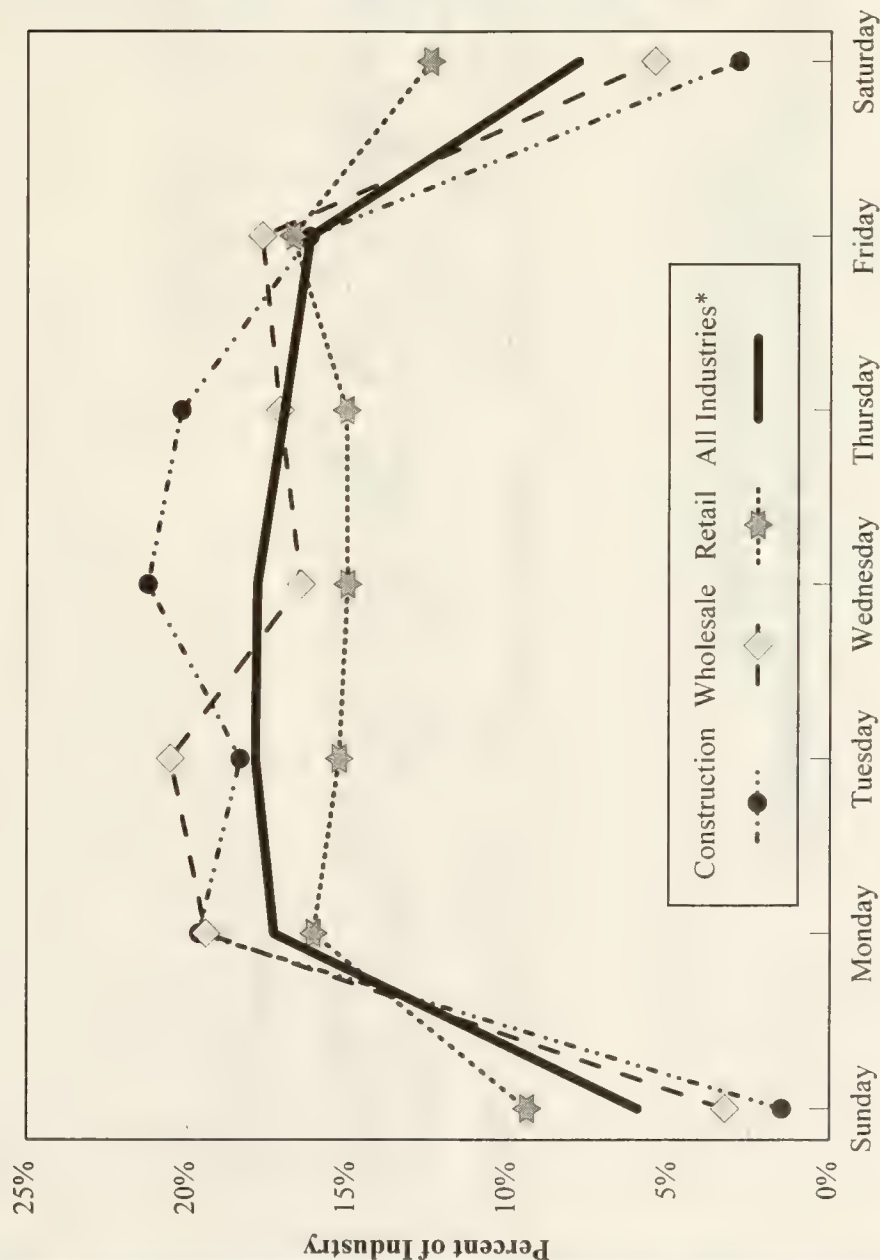
### Distribution of Day Injury Occurred within Industry, FY96

- The construction, wholesale trade, and retail trade industries were graphed because they showed the most variation.
- The data do not show any significant differences in the number of injuries reported Monday through Thursday.
- Only 16.1% of all injuries reported were on Friday. Maybe more absences occur on Fridays.
- For Plan 1 and Plan 2, most injuries occurred between 9am and 11am. Plan 3 injury times were unavailable.
- Retail trade injuries were more evenly distributed across all days of the week. Retail trade workers are more likely to work on weekends than the other industries.
- Tuesday was the most common day of injuries due to the large number of injuries that occurred in wholesale trade.
- 21.2% of all reported construction injuries occurred on Wednesday. There were very few construction injuries reported on the weekend.



## When the Injury Occurred

### Distribution of Day Injury Occurred within Industry, FY96



Days	Total Injuries
Sunday	1,892
Monday	5,476
Tuesday	5,662
Wednesday	5,641
Thursday	5,377
Friday	5,124
Saturday	2,488

\* "All Industries" is the total industry average

• Injury refers to both occupational disease and injury

## When the Injury Occurred

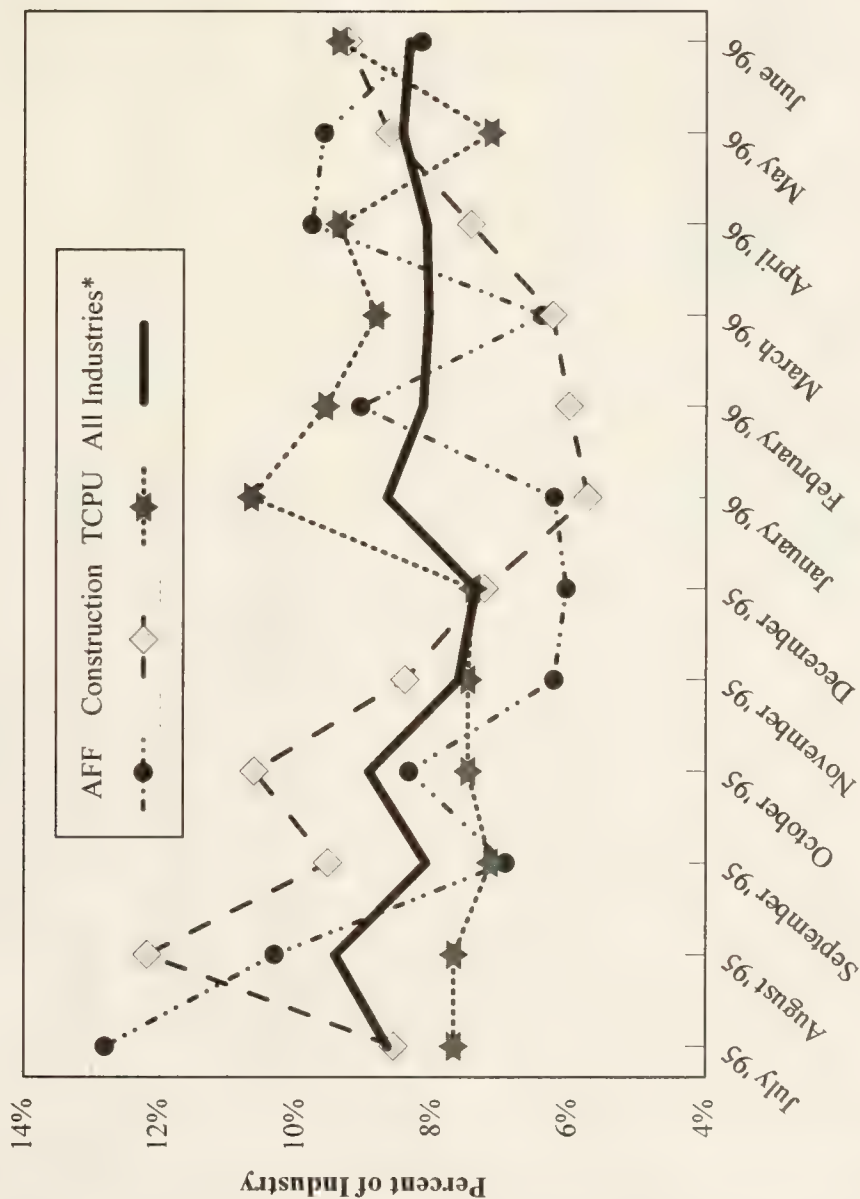
### Distribution of Month Injury Occurred within Industry, FY96

- The AFF, construction, and TCPU industries were graphed because they showed the most variation.
- 9.4% of all injuries occurred in August, which may support the perception that the number of reported injuries increases in seasonal employment prior to layoffs in winter months.
- There was not much difference between months. The industry average never varies more than 2%.
- Construction injuries were more common in the summer months. Construction had fewer injuries January through March, when workers may be laid off due to weather.
- TCPU injuries were most frequent during the winter months (January through April).
- AFF injury counts peaked in July and August. The summer months are when most work is done in this industry, so it is not surprising that 12.8% of all AFF injuries occurred in July.



## When the Injury Occurred

### Distribution of Month Injury Occurred within Industry, FY96



Month	Total Injuries
July	2,744
August	2,988
September	2,567
October	2,833
November	2,416
December	2,336
January	2,748
February	2,582
March	2,557
April	2,566
May	2,678
June	2,645

\* "All Industries" is the total industry average

• Injury refers to both occupational disease and injury

AFF = Agriculture, Forestry, and Fishing  
TCPU = Transportation, Communication, and Public Utilities





**Montana  
Workers' Compensation  
Annual Report  
Fiscal Year 1996**

**Money Matters ...**

Overview  
Payments to Claimants  
Insurance Premium Payments  
Settlement Dollars  
Settlement Attorney Fees  
Cost Drivers





## Overview

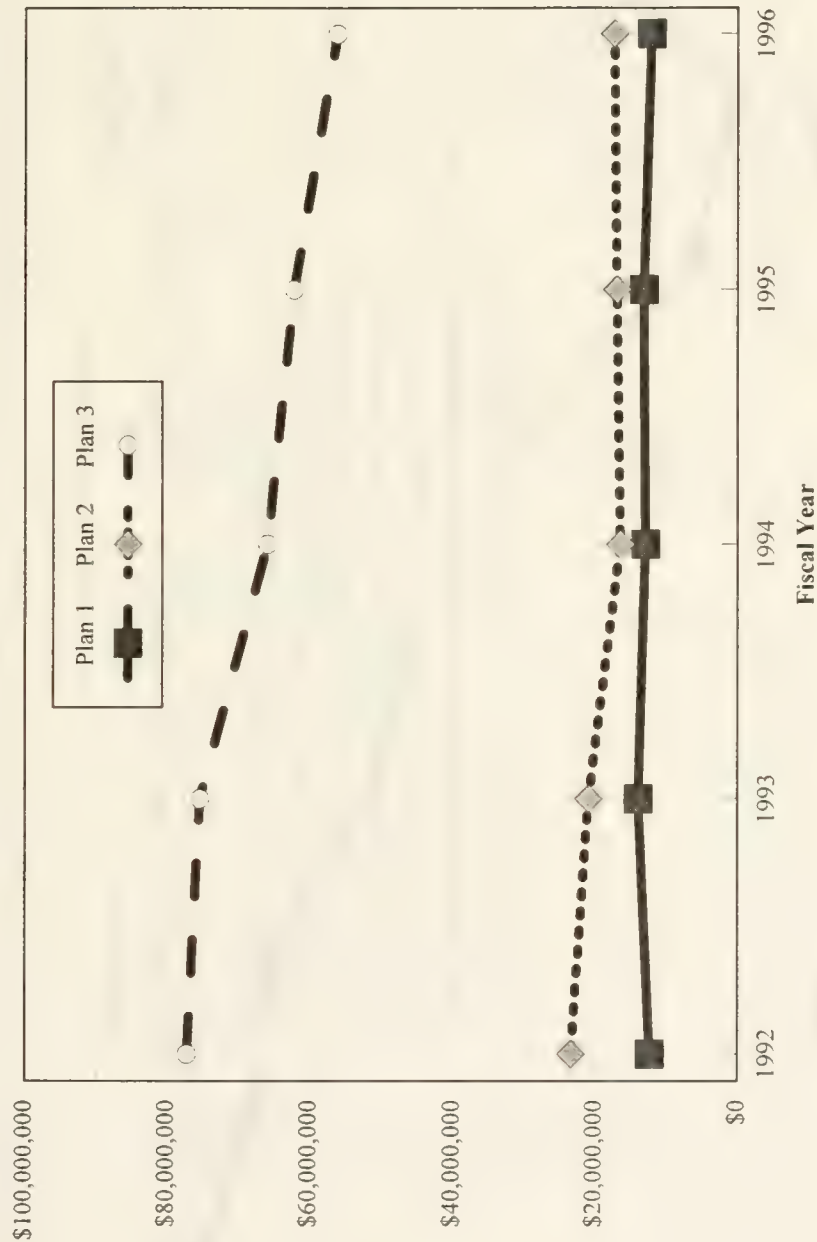
This section contains the amount of indemnity payments, which are payments covering wage loss due to an occupational disease or injury, and the amount of insurance premiums employers are paying for workers' compensation coverage by plan type. The section also describes the number of occupational diseases and injuries settled, the total settlement amount, and the amount of attorney fees paid by plan type. A brief explanation of cost drivers is also included in this section. In the coming years more substantial cost driver information will become available.

Two supplements are available from the Department of Labor and Industry. Settlement Attorney Fees for Fiscal Year 1996 provides detailed settlement attorney fee data. The Data Supplement to the Montana Workers' Compensation Annual Report for Fiscal Year 1996 contains detailed data used to create the annual report. To request a copy of either supplement, contact Sue Thompson (phone 406-444-0981, FAX 406-444-4140).



## Payments to Claimants

### Indemnity Payments



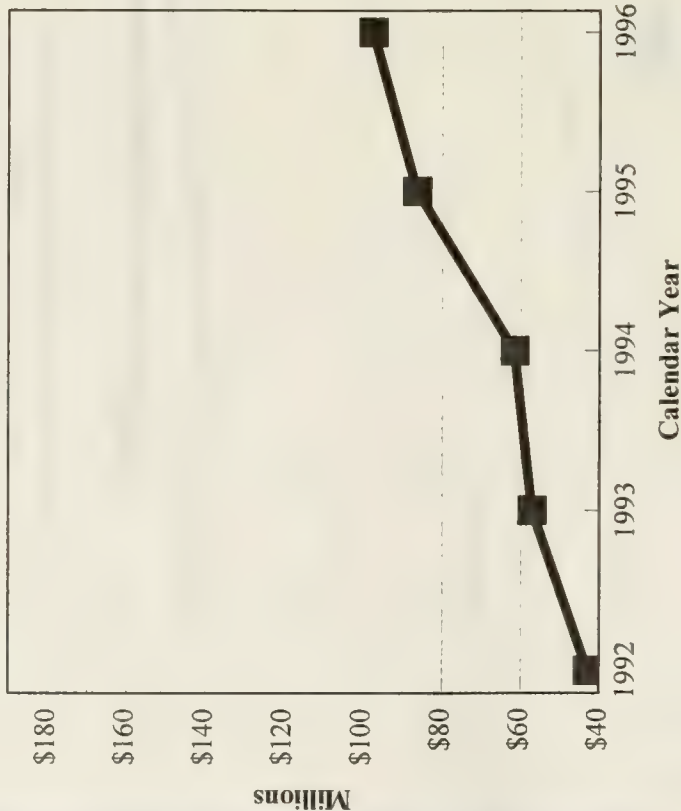
- Plan 2 and Plan 3 payments remained approximately the same during the five fiscal years.
- Plan 3 indemnity payments gradually declined through the early-to-mid 1990s. Several factors could be causing this decline, such as benefit decreases, enrollment decreases, or safer work environments.



# Insurance Premium Payments

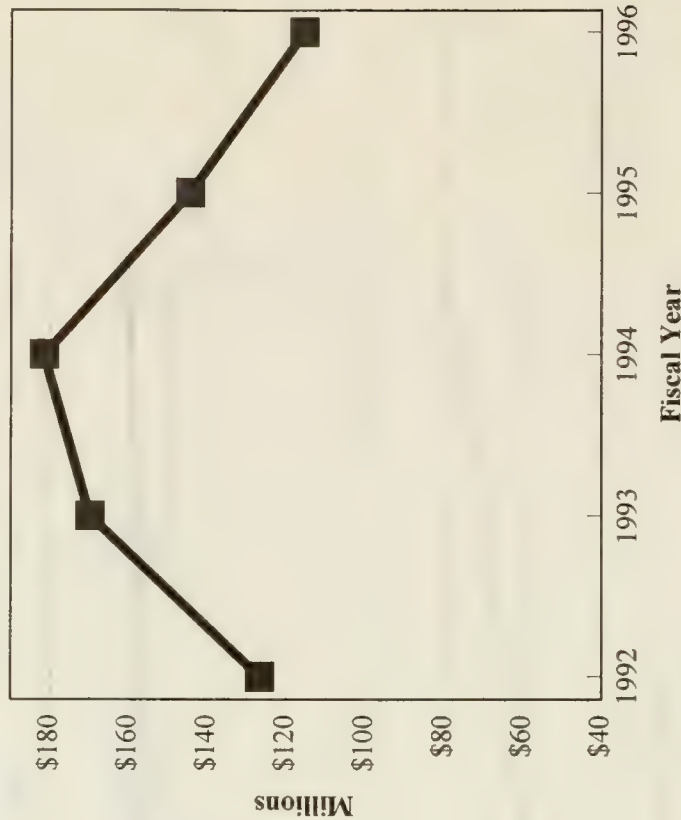
## Total Premium Dollars by Plan\*

Plan 2



\* Plan 1 employers pay no premium

Plan 3



● These graphs may reflect the changes occurring in the market share between Plan 2 and Plan 3.

● The graphs reflect the competitive marketing of Plan 2 insurers who have started writing workers' compensation insurance in Montana. Law changes that decreased benefits and made workers' compensation business profitable may have been a factor.

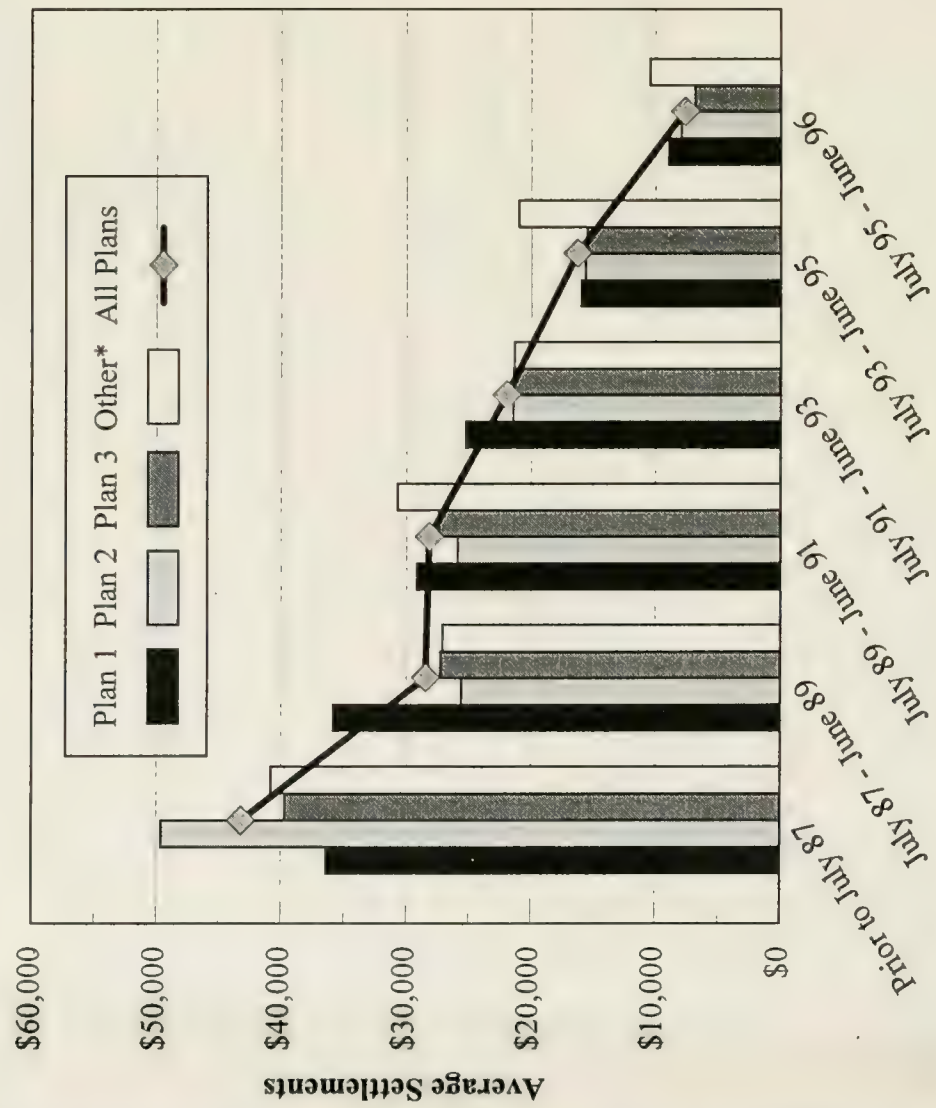
## Settlement Dollars

A settlement is a lump sum payment of the claimant's workers' compensation benefits. Benefits are usually paid out in periodic payments that are designed to sustain an injured worker over an extended period of time. Settlements can occur when the claimant and the insurer agree that benefits will be converted to a lump sum payment. Settlement petitions are submitted to the Department of Labor and Industry for approval.

[illegible]

Settlement Dollars

Average Settlement Amounts by Plan for FY96



Overall Settlement Averages for FY96

Plan 1	\$20,552
Plan 2	\$19,201
Plan 3	\$17,784
Other*	\$24,626
All Plans	\$19,680

- This graph displays average settlement amounts for claims that were settled in Fiscal Year 1996, but have an injury date in Fiscal Year 1996 or earlier.
- This graph may demonstrate the decreasing average cost per settlement as intended by legislative changes since 1987.

Injury Date Ranges

\* "Other" includes Uninsured Employers Fund, Subsequent Injury Fund, and settlements that had no plan reported

- Injury refers to both occupational disease and injury



## Settlement Attorney Fees

The Employment Relations Division collects workers' compensation legal expense data only on attorney fees claimed for approved settlements. Not included are legal costs accumulated in defense of a claim, pro-bono work, court awarded fees, fees taken from bi-weekly compensation payments prior to settlement, fees related to uninsured employer claims, benefit advances, or fees related to denied medical payments. The data collected are used to ensure fees the attorneys charge do not exceed the maximums allowed.

For Fiscal Year 1996, a total of 2,100 settlement petitions were processed. The claimant was represented by an attorney in approximately 50% of those petitions. The total net attorney-involved settlement amount was \$27,358,376 with attorney fees totaling \$4,835,021. The percentage of fees to settlements is 17.7%.



## Cost Drivers

A primary focus in the future will be determining what cost drivers exist in the workers' compensation system. Cost drivers are those factors in the system that create increased costs for employers, insurers, and claimants. The amount of data currently available does not allow us to begin analyzing cost drivers, but within the next few years, such analysis should be possible.

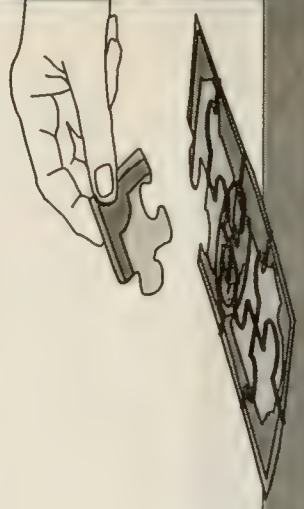
Cost drivers have two major categories: natural and additional. Natural cost drivers result from normal economic activity that is beyond the control of workers' compensation systems. Examples of natural cost drivers are employment growth resulting in more claims, wage growth resulting in higher benefits per claim, and general inflation resulting in higher medical costs.

Additional cost drivers are those factors workers' compensation systems do have some control over. Three "additional" cost driver categories exist: front-end; back-end; and medical price and utilization. Front-end cost drivers are those factors that affect the number of claims paid above and beyond what is considered to be natural growth. Examples are increased use of workers' compensation, reductions in employers' actions to promote safety, increases in workers' carelessness, and expansion of allowable occupational diseases and injuries by statute and legal decisions.

Back-end cost drivers include factors that affect the cost of a claim after it has been accepted for payment by the insurer. Examples are the duration of the disability, the likelihood of receiving a lump-sum settlement, and attorney involvement in resolving disputes between the insurer and the claimant.

Identifying medical price and utilization cost drivers involve collecting detailed medical costs. Examples of this category are the use of new medical technology, a greater number of services provided to a claimant, and changes in billing procedures.

As more information is collected, cost drivers associated with the workers' compensation system can be identified. More information will allow management decisions to be made based on objective data rather than anecdotal evidence used in the past.



**Montana  
Workers' Compensation  
Annual Report  
Fiscal Year 1996**

**Working Out the Problems . . .**

Overview  
Mediation  
Occupational Disease Panel  
Contested Case Hearings  
Workers' Compensation Court





## Overview

Disputes may arise during the course of a workers' compensation claim. Disputes involve such issues as benefit rates, settlement values, insurer liability, premiums owed, and whether the claimant suffers from an occupational disease or injury. When the insurer and claimant are unable to resolve the dispute alone, the resolution process may include mediation, the occupational disease panel, or a contested case hearing. If these actions do not resolve the dispute, the parties can proceed to Workers' Compensation Court. Decisions by this court can be appealed to the Montana Supreme Court.







## Mediation

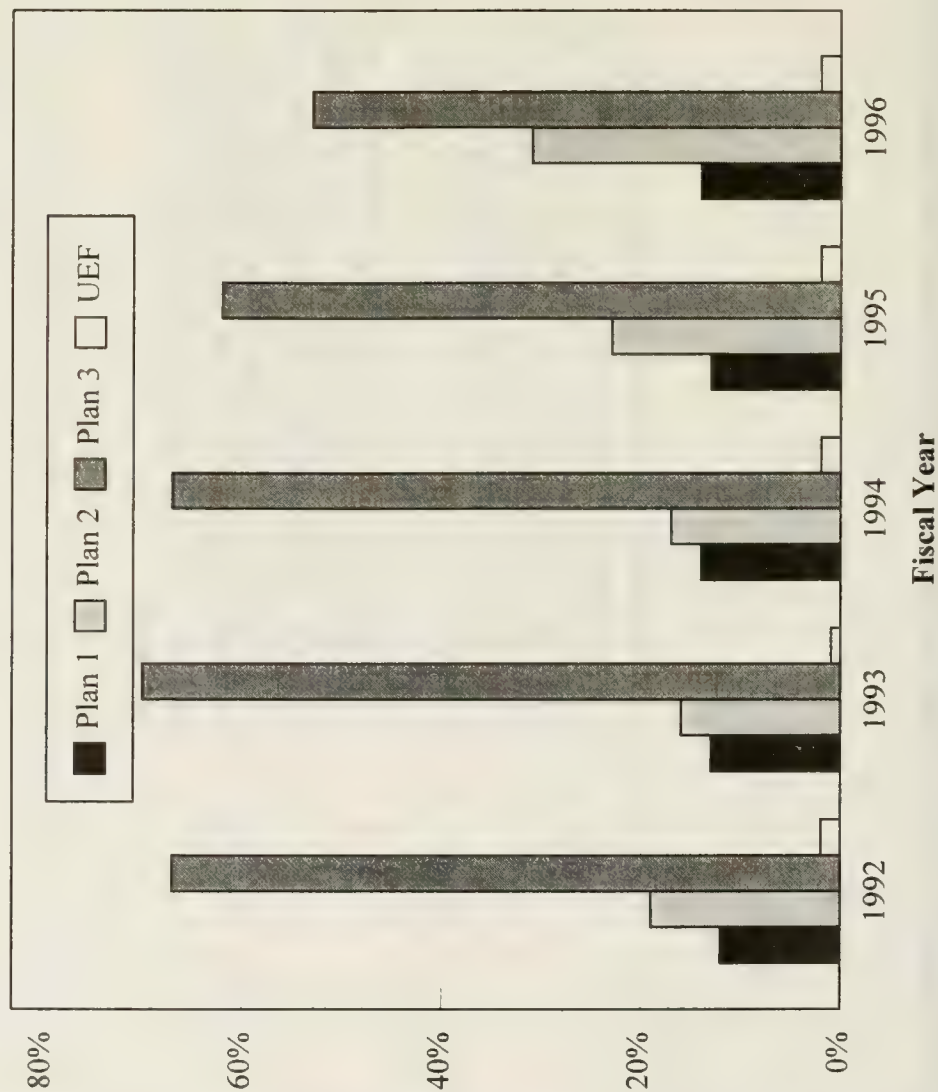
The Workers' Compensation Mediation Unit of the Employment Relations Division provides a mandatory process for resolving disputes dealing with benefits for both workplace injury and accepted occupational disease claims. The mediation process is confidential, non-binding, and informal.

The mediator facilitates the exchange of information between the parties and assists with solutions aimed at resolving the dispute. Conferences are either held in person in Helena or by telephone conference call. Often more than one conference is held in order to resolve the disputes on a claim. In Fiscal Year 1996, mediation received and processed 858 petitions.



## Mediation

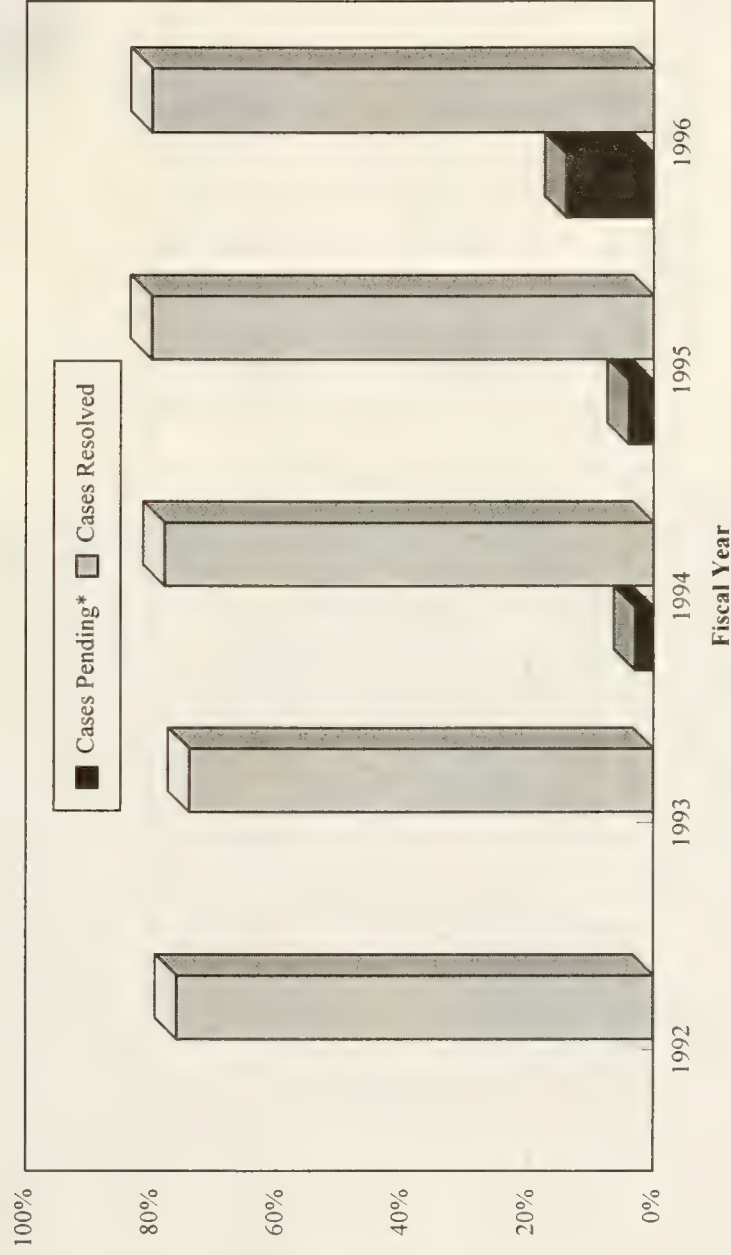
### Percent of Mediation Petitions Received by Plan



<u>Fiscal Year</u>	<u>Petitions Received</u>
1992	678
1993	857
1994	940
1995	1,032
1996	858

- The trend indicates the number of petitions for Plan 3 were declining while the number of Plan 2 petitions were increasing. Plan 1 remained fairly consistent.
- Trends in petitions may be representative of the market share trends.

### Percent of all Mediation Cases Resolved and Cases Pending



\* Eventual outcome of pending cases will affect percent resolved

- 686 mediation cases received in FY96 had been resolved as of June 30, 1996.
- Mediation has a consistent resolution rate of 80%.
- On average, mediation took 41 days to complete a case, excluding pending claims.



## Occupational Disease Panel

The Claims Unit of the Employment Relations Division (ERD) is responsible for the occupational disease panel process. The panel process is set up to resolve questions that arise between a claimant and insurer over whether the claimant's condition is an occupational disease (OD). Diagnosing an OD and assigning a cause can be difficult. This process involves a panel of up to three doctors who provide opinions. Based on the doctors' opinions, ERD then issues a determination. The determination states whether the claimant's condition is caused from employment and entitled to occupational disease benefits. Disputes over the determination are appealed to the Hearings Unit of the Department of Labor and Industry.



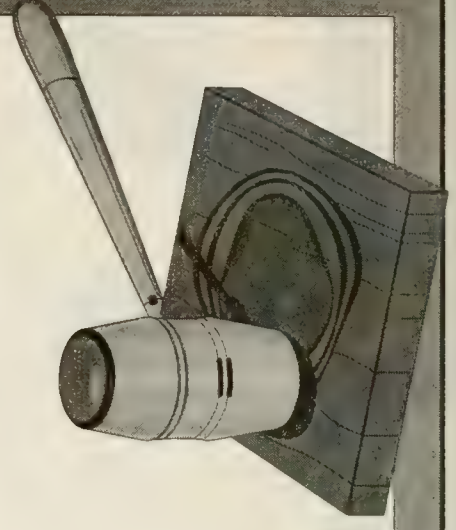
## Occupational Disease Panel

### Occupational Disease Panel, FY96

<b>Panel Requests</b>	<b>402</b>	
<b>Second Exam Requests</b>	<b>31</b>	
by Claimant	8	
by Insurer	23	
<b>Panel Results</b>		
Claims Accepted	224	
Claims Denied	83	
<b>Cases Closed</b>	<b>385</b>	
		<ul style="list-style-type: none"><li>● There were 402 occupational disease panel requests during FY96.</li></ul>
<b>Hearings Requested after First Exam</b>	<b>41</b>	
by Claimant	7	
by Insurer	34	
<b>Total Appeals to the Hearings Unit</b>	<b>68</b>	
<b>Appeals to Workers' Compensation Court</b>	<b>7</b>	
		<ul style="list-style-type: none"><li>● 307 of the 385 closed cases had panel results of accepted or denied. The rest of the cases were canceled, withdrawn, or discontinued.</li></ul>

## Contested Case Hearings

The Department of Labor and Industry's Hearings Unit holds contested case hearings. Disputes heard at contested case hearings include appeals from orders and determinations issued by ERD and medical disputes between providers and insurers when payments to the claimant are not an issue. For Fiscal Year 1996 (FY96) the Hearings Unit received 127 requests for contested case hearings. Forty-three contested case hearings were held in FY96. The remaining cases were either dismissed or closed prior to the hearing, or postponed.

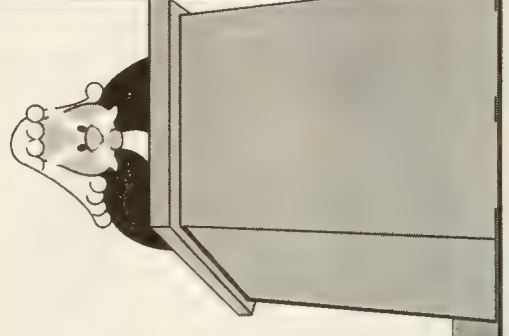




## Workers' Compensation Court

Disputes which are not resolved through mediation or contested case hearings proceed to the Workers' Compensation Court. The Court is administratively attached to the Department of Labor and Industry. The Court resolves disputes between insurers or employers, and injured workers or workers disabled from an occupational disease. Trials are held on those cases for which the Court has original jurisdiction. The Court is also responsible for the judicial review of final orders from the Hearings Unit of the Department of Labor and Industry.

In Fiscal Year 1996, a total of 228 petitions or appeals were filed, including 23 Plan 1 cases, 102 Plan 2 cases, and 98 Plan 3 cases. The remaining five were Subsequent Injury Fund and uninsured cases.





**Montana  
Workers' Compensation  
Annual Report  
Fiscal Year 1996**

**The Rest of the Story . . .**

Overview  
Subsequent Injury Fund  
Rehabilitation  
Uninsured Employers Fund  
Safety  
Independent Contractor Exemptions  
Contractor Registration  
Managed Care Organizations



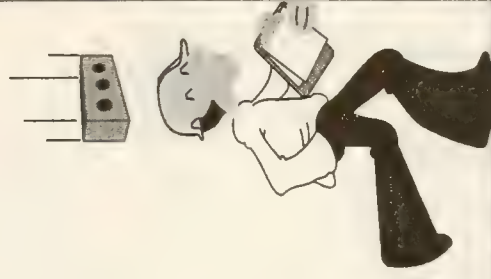


## Overview



This section includes the Department of Labor and Industry's programs dealing with workers' compensation in Montana. It contains a brief narrative of each program's role and, in most instances, a graph or table displaying program information. The following programs are included: Subsequent Injury Fund; Uninsured Employers Fund; Safety; Rehabilitation; Managed Care Organizations; Independent Contractor Exemptions; and Contractor Registration.

A copy of the detailed data used to create the annual report is contained in the Data Supplement to the Montana Workers' Compensation Annual Report for Fiscal Year 1996. To request a copy, contact Sue Thompson (phone 406-444-0981, FAX 406-444-4140).







## Subsequent Injury Fund

The Subsequent Injury Fund (SIF) was established by legislation passed in 1973. The purpose of SIF is to assist vocationally handicapped individuals in obtaining employment by offering a financial incentive to employers for hiring SIF-certified individuals. Many states have similar funds called either Subsequent or Second Injury Funds. Montana's program is funded through an annual assessment on Montana workers' compensation insurers.

The law defines "vocationally handicapped" as a person who has a medically certifiable permanent impairment that is a substantial obstacle to obtaining employment or re-employment. Also taken into account are such factors as the person's age, education, training, experience and employment rejections.

A vocationally handicapped worker may encounter difficulty in obtaining employment because of the prospective employer's concerns about the extent of financial liability if the worker incurs a work-related injury. An employer may feel an impaired person is more susceptible to being injured. The Subsequent Injury program helps alleviate the employer's concern by placing a limit on the amount an employer, or the employer's insurer, will have to pay if the worker becomes injured or re-injured on the job. When that limit is reached, the SIF assumes liability. If a certified worker does become injured on the job, the worker remains entitled to all benefits due under the Workers' Compensation Act.



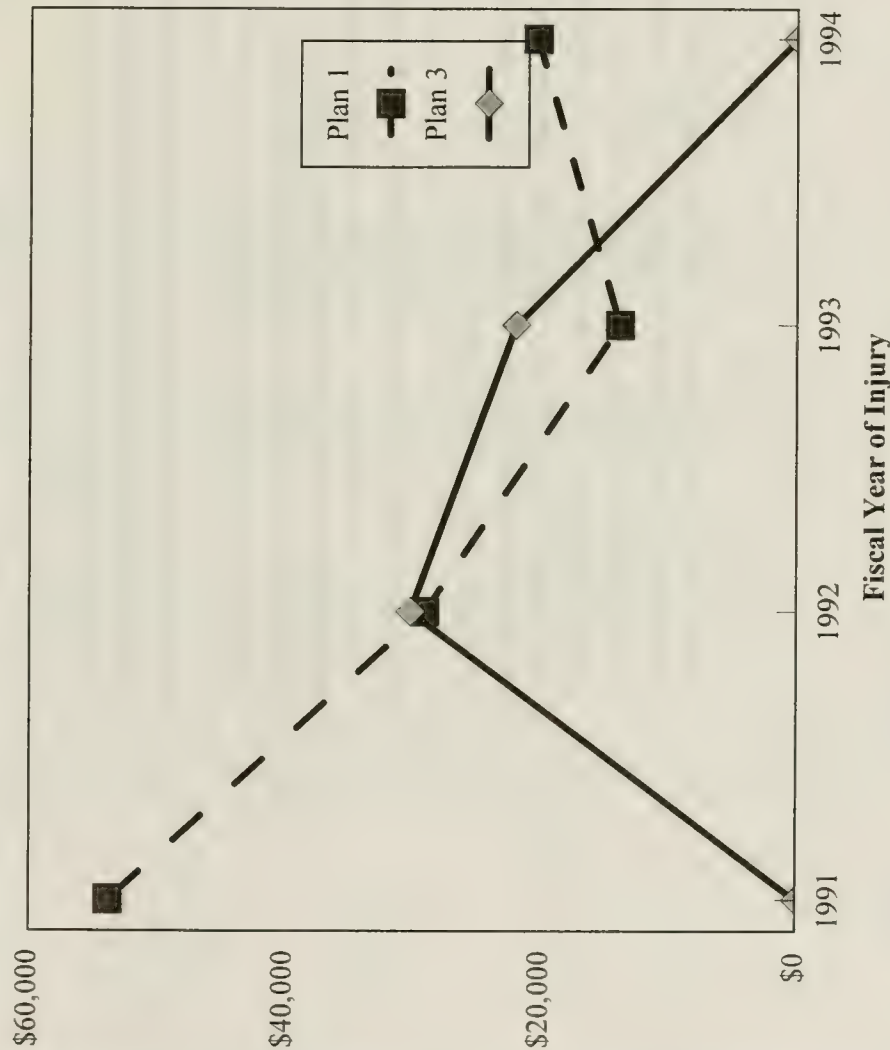
## Subsequent Injury Fund

### SIF Claims and Certifications, FY96

New Certifications This Year	134	Total Certified Employees	1,952	
	Plan 1	Plan 2	Plan 3	Totals
New Claims Filed	4	1	7	12
Number of Open Claims	30	5	12	47
Amount Reserved on Open Claims	\$616,600	\$350,400	\$53,300	\$1,020,300

- "Amount reserved on open claims" is the dollar amount set aside to pay the expected future cost of the claims.

## SIF Payments in FY96 by Plan\* and Fiscal Year of Injury



\* Plan 2 received no claim payments

• Injury refers to both occupational disease and injury

## SIF Total Payments in FY96

Accident Year	Payments
1991	\$53,840
1992	\$59,325
1993	\$36,003
1994	\$20,388

- The declining trend may reflect benefit decreases made by the legislature since 1987 or may mean fewer subsequent injuries are occurring.
- Total SIF payments in FY96 for all dates of injury were \$350,478.

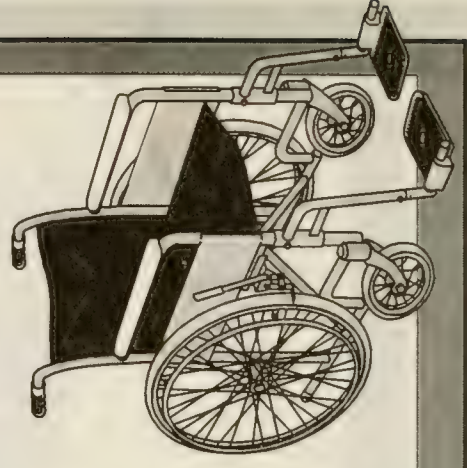


## Rehabilitation

Rehabilitation benefits are provided to claimants under certain circumstances. For disabled workers to qualify for these benefits, they must suffer wage loss as a result of a workplace injury, have reasonable vocational goals and re-employment opportunities that will likely reduce the wage loss, and have a rehabilitation plan agreed upon with the insurer and filed with the Department of Labor and Industry.

The best possible outcome after an injury is for the injured worker to return to work. Sometimes a disabled worker needs help to become employable again. The expense of rehabilitation pays off when the worker becomes as productive and self-sufficient as possible.

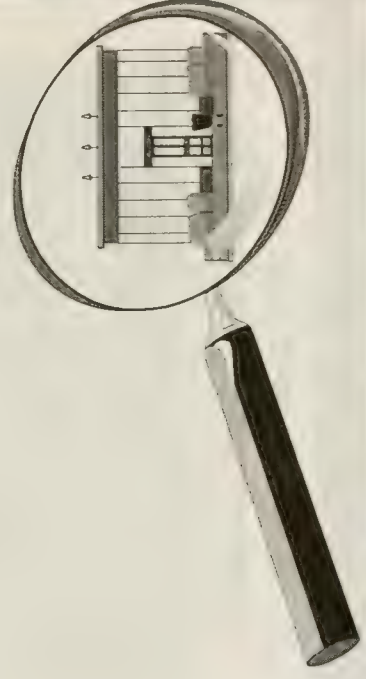
Rehabilitation benefits can provide bi-weekly compensation for up to 104 weeks. In addition, auxiliary benefits up to \$4,000 may be paid by the insurer for reasonable travel and relocation expenses.



## Uninsured Employers' Fund

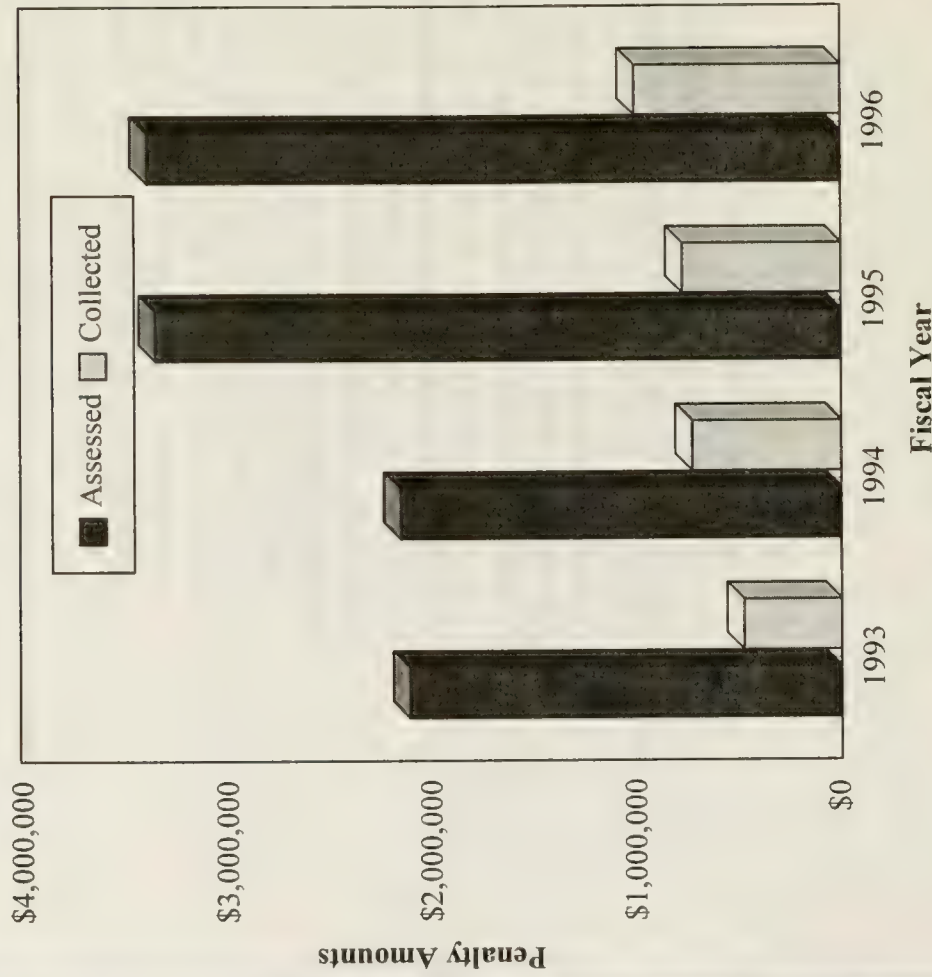
The role of the Uninsured Employers' Fund (UEF) of the Employment Relations Division is to ensure employers comply with required workers' compensation laws so employees are properly covered by insurance. If employers are without appropriate workers' compensation insurance, the UEF provides benefits for their injured employees.

The UEF Unit also levies and collects penalties for the time the employer was uninsured. The penalty is up to double the insurance premium that should have been paid by the employer, or \$200, whichever is greater.



## Uninsured Employers' Fund

### UEF Penalties Assessed and Collected



AFF = Agriculture, Forestry, and Fishing  
 TCPU = Transportation, Communication, and Public Utilities  
 FIRE = Finance, Insurance, and Real Estate

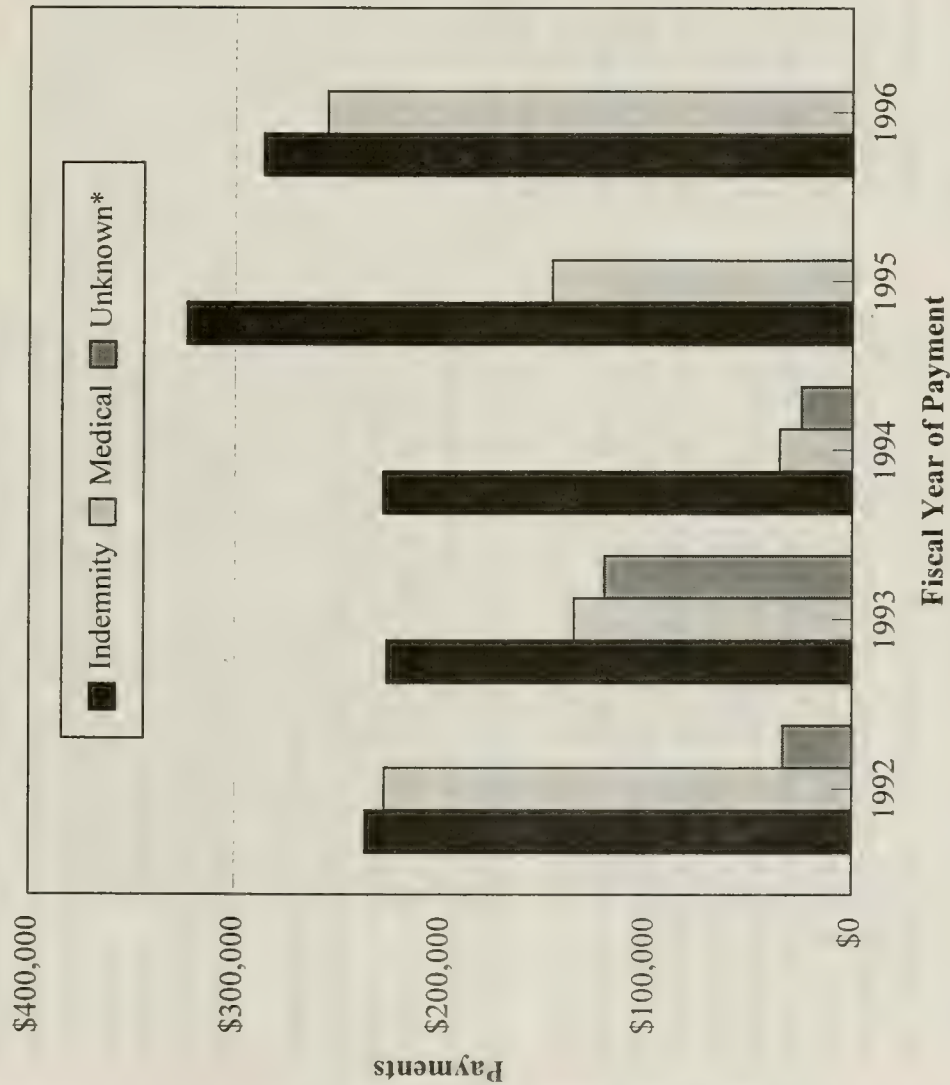
### UEF Penalties Assessed by Industry for Fiscal Year 1996

Industry Division	Number of Employers	Penalties Assessed
AFF	23	86,721
Mining	9	299,655
Construction	103	702,289
Manufacturing	33	119,637
TCPU	24	172,498
Wholesale	20	56,225
Retail	188	486,406
FIRE	14	25,501
Services	177	652,301
Public Admin	4	3,081
Unknown	132	430,634
<b>Totals</b>	<b>727</b>	<b>\$3,034,947</b>

- Of the over \$3,000,000 in penalties assessed by the Uninsured Employer Fund unit against uninsured employers in FY96, approximately \$1,015,000 were collected.
- Retail trade had the greatest number of employers penalized (188), followed closely by services (177). There were 132 employers with penalties assessed for which no industry division was available.



## UEF Indemnity and Medical Payments



\* "Unknown" are medical or indemnity payments that cannot be categorized

<u>Fiscal Year</u>	<u>Total Payments</u>
1992	\$498,573
1993	\$482,176
1994	\$289,054
1995	\$469,587
1996	\$541,827

- Indemnity payments are payments covering wage loss due to an industrial accident.
- In FY96, 140 injuries occurred and were reported by employees whose employers were uninsured.
- Medical costs fluctuate according to the number and severity of claims filed.

## Safety

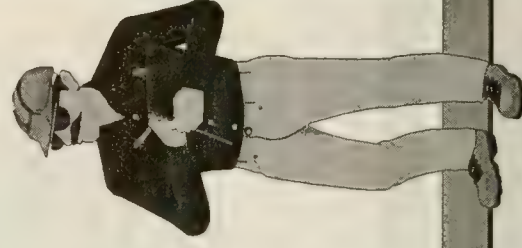
The Safety Bureau is responsible under the Montana Safety Act for administering the state's industrial safety laws. This involves workplace safety inspections in a number of different areas. The Bureau's goal is to minimize employee illnesses and injuries by enforcing the intent of the Act and to support federally funded Occupational Safety and Health Administration (OSHA) voluntary programs in the private sector. The ultimate goal of all activities of the Safety Bureau is to reduce worker injuries and illnesses and to reduce workers' compensation premiums.

The Safety Bureau inspects workplaces and issues orders for correction of hazards to provide a safe work environment. Federal OSHA rules preempt inspecting private places of business, so this activity pertains only to public employers. Safety consultation is available to private employers upon request, under a grant from OSHA.

The Safety Culture Act, passed in the 1993 legislative session, is designed to foster safe work practices, beginning with students in Montana's schools and progressing through to employers. All employers in Montana are now required to implement an education-based safety program. Employers with more than five employees are required to have active safety committees. Potential employees are taught as early as middle school the effect unsafe work practices can have on their lives.

Mining inspections are conducted on surface and underground mines (coal, metal/nonmetal) and related industries (gravel pits, crushing operations, cement plants, talc mills, etc.). Mines are required to comply with safety and health standards contained in the mine safety statutes.

The Federal Mines Safety and Health Administration (MSHA) has provided the Safety Bureau with a training grant to conduct safety training for employers and employees of small mines. Mine operators are assisted in developing acceptable training plans so that their employees recognize hazardous conditions in a mining operation.



## Management Information Report Safety Bureau, FY96

<u>Safety and Health Section</u>	<u>Public Sector</u>	<u>Private Sector</u>
Mandatory inspections performed	241	
On-site inspections performed		106
Requests for technical assistance	179	202
Formal training sessions conducted	23	28
Workers trained	618	660
<u>Mining Section</u>	<u>Coal</u>	<u>Metal/Nonmetal</u>
Inspections performed	57	196
Mine training sessions	12	85
Workers trained	372	980
Coal mine foreman training sessions conducted	5	
Coal mine foremen trained	66	

- 1,278 employees were educated on safety procedures, and 1,352 mining workers were trained on safer mining procedures.
- 347 safety and health inspections were performed, and 253 mining inspections were conducted in Fiscal Year 1996.



## Independent Contractor Exemptions

The Independent Contractor Central Unit issues exemptions to individuals who qualify as independent contractors. An individual who has an independent contractor exemption is not required to have workers' compensation or unemployment insurance coverage. An independent contractor is an individual who renders service in the course of an occupation, has been and will continue to be free from control or direction over the performance of the services, and is engaged in an independently established trade, occupation, profession, or business. The Employment Relations Division may require additional information or perform random verifications in an effort to ensure the independent contractor status is valid.



# Independent Contractor Exemptions

## Independent Contractor Exemptions by Industry, FY96



### Industry Division

\* Refer to Industry Division under Methodology in the Appendix for an explanation.

AFF = Agriculture, Forestry, and Fishing  
TCPU = Transportation, Communication, and Public Utilities  
FIRE = Finance, Insurance, and Real Estate

<u>Fiscal Year</u>	<u>New Exemptions</u>
1991	635
1992	663
1993	760
1994	1,380
1995	1,538
1996	8,873

- As of June 30, 1996, there were 15,585 total independent contractor exemptions.
- There were 8,873 new independent contractor exemptions issued during Fiscal Year 1996.
- In FY96, construction accounts for 48% of all exemptions. The service industry has the second most independent contractor exemptions, 21%.

## Contractor Registration

The Contractor Registration Unit of the Department of Labor and Industry is responsible for administering and enforcing the contractor registration program. Created by the 1995 Legislature at the request of the building industry, the statute mandates that contractors in the construction industry register with the State to ensure they are complying with employment laws, in particular workers' compensation.

To register, contractors must supply proof of workers' compensation insurance. Construction contractors who have obtained an independent contractor exemption from the Department of Labor and Industry do not need to have workers' compensation coverage and are ineligible for workers' compensation benefits if injured.

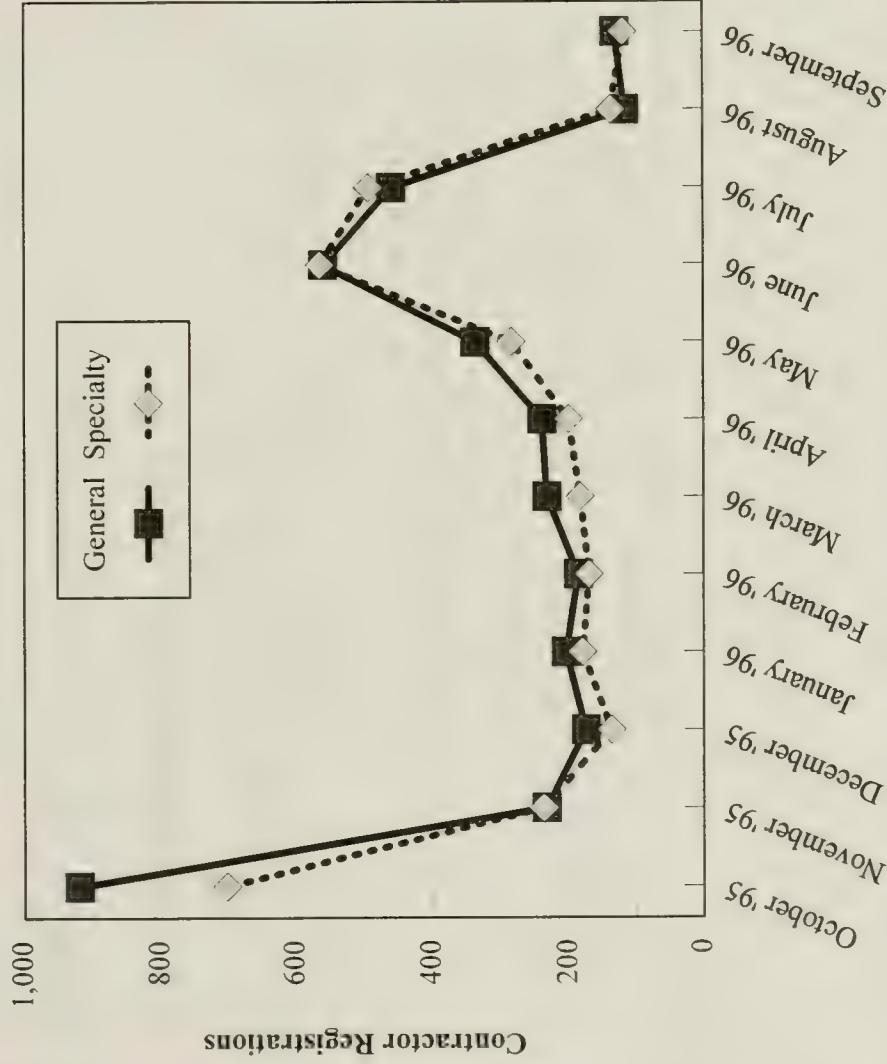
The Contractor Registration Unit monitors the status of a contractor's workers' compensation policy to ensure it is still active. Failure to maintain necessary and valid coverage can void the contractor's registration, which can result in fines and other penalties.





## Contractor Registration

### Contractor Registrations by Type October 1995 through September 1996



#### Total Contractor Registrations

October '95	1,622
November '95	470
December '95	312
January '96	384
February '96	356
March '96	415
April '96	439
May '96	621
June '96	1,125
July '96	954
August '96	254
September '96	250

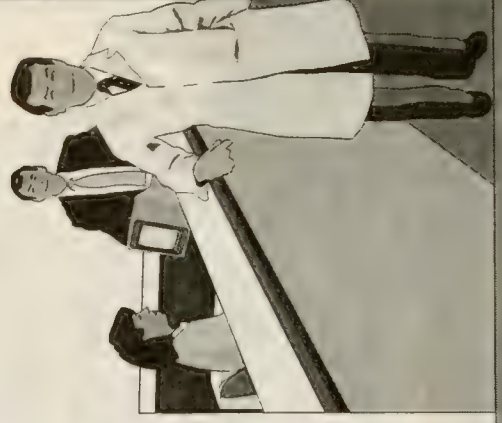
- The higher number of contractor registrations in October, 1995, and June, 1996, correlate with the beginning of the registration law and the deadline for complying with registration in the statutes.

- General - a contractor whose business operations require the use of more than two unrelated building trades or crafts that the contractor intends to supervise or perform in whole or in part.

- Specialty - a contractor whose operations do not fall within the definition of general contractor.

## Managed Care Organizations

Managed Care Organizations (MCO) must be certified by the Department of Labor and Industry in order to process workers' compensation injuries. Managed Care Organizations serve the medical needs of injured workers in an efficient and cost-effective manner by managing the delivery of medical services through appropriate health care professionals. Ten MCOs have been certified by the Department. The Medical Regulations Unit processes the MCO applications, verifying that the plan of operations complies with the requirements set in the statutes and rules. Once certified, MCOs are able to contract with workers' compensation insurers to provide coordinated care to injured workers.



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## Definitions

**Cause Code:** The code used to described what caused the injury or occupational disease. The NCCI-DCI codes for cause are divided into nine categories. A tenth category, "Unknown", was created to account for the records that did not have a cause code entered.

**Burn or Exposure:** Includes chemical, fire, welding, scalds, temperature exposure, and radiation.

**Caught in or Between:** Includes caught in or between machinery, an object being handled, and miscellaneous objects such as earth slides or collapsing buildings.

**Puncture or Cut:** Includes punctures, cuts, or scrapes as a result of broken glass, hand tools, utensils, power tools, appliances, or guns.

**Fall, Slip, Trip:** Includes falling from a different level or on the same level, ladder or scaffolding falls, slipping on liquid or grease, and tripping where the person fell.

**Vehicle Related:** Includes collisions with another vehicle or fixed object, rollovers, rough riding, and airplane crashes.

**Strain, Jump or Lift:** Includes jumping, holding or carrying objects, lifting, pushing, pulling, reaching, overexertion, and throwing.

**Hit Against or Step on Object:** Includes moving machine parts, objects being lifted, sanding, or scraping operations, stationary objects, and stepping on sharp objects.

**Hit by Object:** Includes falling or flying objects, hand tools or machines in use, motor vehicles, moving machine parts and objects handled by others.

**All Other:** Includes electric shocks, animal and insect bites, explosions, foreign body in eye, injury or stress from an assault, and causes that occur over a period of time.

**Unknown:** Includes all records where cause was not reported on the First Report of Injury or where the code could not be converted to NCCI-DCI codes.

**Employment Relations Division (ERD):** The State of Montana's regulatory agency for workers' compensation. This division is part of the Department of Labor and Industry.

**Fiscal Year 1996 (FY96):** The State of Montana's fiscal year, beginning July 1, 1995, and ending June 30, 1996.

**First Report of Injury (FROI):** The form used to report an occupational disease or injury.

### International Association of Industrial Accident

**Boards and Commissions (IAIABC):** An organization of workers' compensation specialists including government officials and regulators, business and labor leaders, medical providers, law firms, insurance carriers, rehabilitation and safety experts. The organization provides access to information on current and developing workers' compensation issues and standards.

## Definitions Continued

### National Council on Compensation Insurance - Detailed Claim Information Codes (NCCI-DCI):

A standard coding structure for Cause, Nature, and Part of Body established by compensation insurers and used by Montana. The use of a standard coding structures facilitates comparison of Montana's workers' compensation data with other states' data.

**Nature Code:** The code used to described the nature of the injury or occupational disease. The NCCI-DCI codes for nature are divided into eight categories. A ninth category, "Unknown", was created to account for the records that did not have a nature code entered.

**Sprain or Rupture:** Includes strains, dislocations, hernias, organ ruptures, and trauma to joints or muscles.

**Bruise or Swelling:** Includes contusions, broken blood vessels, and inflammation.

**Cut or Abrasion:** Includes slivers, lodged small objects, open wounds, scrapes, and needle sticks.

**Fracture:** Includes any breaking of a bone.

**Occupational Disease:** Includes repetitive motion, loss of hearing or sight, respiratory conditions, poisoning, mental disorders, radiation, heart disease, cancer, AIDS, carpal tunnel, and any disease resulting from work related experiences.

**Amputation:** Includes loss of a limb that involves bone, loss of part of an organ, enucleation, or severance of a body part.

**Burn or Exposure:** Includes electrical shocks; chemical burns, temperature extremes, freezing, sunburns, heat stroke, and lightning.

**Other:** Includes asphyxiation, loss of circulation, infection, concussion, heart problems, and any nature that does not fit into another category.

**Unknown:** Includes all records where nature code was reported as "unclassified", the code was not reported on the First Report of Injury, or the code could not be converted to NCCI-DCI codes.

**Occupational Injury:** A cut, fracture, sprain, amputation, or other physical harm which results from a work accident on a single day or during a single work shift.

**Occupational Disease (OD):** Harm or damage caused by work-related events that occur on more than a single day or work shift. It includes acute chronic illnesses or diseases caused by inhalation, absorption, ingestion, or overuse syndrome.



## Definitions Continued

**Plan Type:** The type of workers' compensation insurance coverage chosen by an employer. There are three different types of insurance plans:

**Plan 1:** Employers who have sufficient financial strength to cover potential workers' compensation claims may elect to be self-insured. These employers do not carry a workers' compensation policy with an insurance company and must be approved by ERD. If an injury occurs, a self-insured employer will pay the expenses and benefits.

**Plan 2:** Employers with workers' compensation insurance coverage provided by a private insurance agency.

**Plan 3:** Employers with workers' compensation insurance coverage provided by State Compensation Insurance Fund (State Fund).

### Standard Industrial Classification (SIC) Codes:

Codes used to categorize employers by industry. The codes are published by the Office of Management and Budget and can be found in the 1987 Standard Industrial Classification Manual. The codes are grouped into ten different industrial divisions, as listed below with examples of each division:

**Agriculture, Forestry & Fishing (AFF):** Includes establishments primarily engaged in agricultural production, forestry, commercial fishing, hunting, trapping, and related services.

**Mining:** Includes all establishments engaged in the extraction of minerals occurring naturally, and also includes quarrying, well operations, milling, and other preparation customarily done at the mine site, or as a part of mining activity. Exploration and development of mineral properties are included.

**Construction:** Includes establishments performing new work, additions, alterations, reconstruction, installations, and repairs. Three broad types of construction activity are covered: building construction by general contractors; heavy construction other than building by general contractors; and construction activity by other special trade contractors.

**Manufacturing:** Includes establishments engaged in the mechanical and chemical transformation of materials or substances into new products. These establishments are usually described as plants, factories, or mills and characteristically use power driven machines and materials handling equipment. Establishments engaged in assembling component parts of manufactured products are also considered manufacturing if the new product is neither a structure nor other fixed improvement. Also included is the blending of materials, such as lubricating oils, plastic resins, or liquors.

## Definitions Continued

### (SIC Codes Cont.:)

#### **Transportation, Communication, and Public**

**Utilities (TCPU):** Includes establishments providing to the general public or to other business enterprises, passenger and freight transportation; communications services; or electricity, gas, steam, water, or sanitary services; and all establishments of the United States Postal Service.

**Wholesale Trade:** Includes establishments or places of business primarily engaged in selling merchandise to retailers; to industrial, commercial, institutional, farm, construction contractors, or professional business users; or to other wholesale; or acting as agents or brokers in buying merchandise for or selling merchandise to such persons or companies.

**Retail Trade:** Includes establishments engaged in selling merchandise for personal or household consumption and rendering services incidental to the sale of the goods.

#### **Finance, Insurance and Real Estate (FIRE):**

Finance includes depository institutions, non-depository credit institutions, holding companies, other investment companies, brokers and dealers in securities and commodity contracts, and security and commodity exchanges. Insurance covers carriers of all types of insurance, and insurance agents and brokers. Real estate includes owners, lessors, lessees, buyers, sellers, agents, and developers of real estate. Establishments primarily engaged in the construction of buildings for sale are classified in Construction.

**Services:** Includes establishments primarily engaged in providing a wide variety of services for individuals, business or government establishments, and other organizations such as, hotels and other lodging places; establishments providing personal, business, repair, and amusement services; health, legal, engineering, and other professional services; educational institutions; and membership organizations.

**Public Administration:** Includes the executive, legislative, judicial, administrative and regulatory activities of federal, state, and local governments.



### Occupational Disease and Injury Data

All injury data included in this report are gathered from the First Report of Injury. The form is completed and submitted to the Employment Relations Division (ERD) by employees, employers, or insurers. The form only includes six mandatory fields. Non-mandatory fields such as gender, birthdate, and hire date were often left blank. Limiting the number of mandatory fields was a balance achieved to ensure the value of the information was commensurate with the cost of collection. Because this report uses non-mandatory data, the term "unknown" frequently appears as a category. Subcategories shown in the various tables may not add up to the total number of records because inaccurate or missing data were omitted.

This report includes all injuries reported to ERD. However, an injury may not have been reported.

ERD accesses State Fund injury data electronically. Currently the data received from State Fund contain several "unknown" fields because State Fund is either not completing these fields yet or the current data interchange does not process these fields and were excluded from the report.

Injuries with incomplete or inaccurate insurance coverage information have been excluded.

One hundred forty employees had occupational diseases and injuries while working for uninsured employers. The uninsured employer injury records contained incomplete data and were excluded from the injury data graphs and tables. Therefore, the data from 31,519 injuries were used throughout the annual report.

### Trends and Costs Drivers

The injury information contained in this report consists of descriptive statistics. Because this is the first year Montana workers' compensation injury data has been collected in the new database, no historical information is available to identify trends, cost drivers, or changes in the workers' compensation system.

### Industry Divisions

To allow for comparison, whenever possible the information is grouped by industry division. Standard Industrial Classification (SIC) Codes are used for this purpose. The SIC information is not reported to ERD and was obtained from other resources. Receiving this data from outside resources was unreliable at times. Consequently, the SIC Codes are missing in several places and are marked as "unknown" on the graphs.



## Methodology Continued

### Data Sources

#### Department of Labor and Industry, Research and Analysis Bureau

##### 1990 Census

Employment counts separated by age and gender were obtained from the 1990 census. There may be a question as to whether it is acceptable to use 1990 census data with 1996 injury counts, but it is the most accurate information found regarding employment by gender, age, and industry.

##### Employment Statistics

1995 industry division employment counts were obtained from the Research and Analysis Bureau and are the most current, accurate counts available.

#### Workers' Compensation Database

The database system was built at the request of the legislature to provide management information. Employers, insurers, attorneys, medical providers, and other parties of the workers' compensation community in Montana provide data for the system.

#### Hearings Unit

The data for contested case hearings were provided by the Department of Labor and Industry, Hearings Unit.

#### Workers' Compensation Court

The data for Workers' Compensation Court were provided by the Court which is administratively attached to the Department of Labor and Industry.

#### Department of Labor and Industry, Workers' Compensation Regulation Bureau

The Workers' Compensation Regulation Bureau provided data for the following sections of the report: Subsequent Injury Fund; Indemnity and Premium dollars; and Managed Care Organizations.

#### Department of Labor and Industry, Mediation Unit

The data for the Mediation section were provided by the Mediation Unit of the Employment Relations Division from the unit's database.

#### Department of Labor and Industry, Contractor Registration

The Contractor Registration Unit of the Employment Relations Division provided the data for the Contractor Registration portion of the report.

#### Department of Labor and Industry, Safety Bureau

The data for the Safety section were provided by the Safety Bureau of the Employment Relations Division from the unit's database.

## Future Annual Reports

In the coming years, the Montana Workers' Compensation Annual Report from the Department of Labor and Industry will be expanded and will begin to yield the kind of data decision-makers will need to effectively manage the workers' compensation system. Beginning next year, the annual report will include information from the Subsequent Report, which is filed by an insurer reporting the benefits paid on a claim. This information will yield how quickly benefits are paid, the duration of benefit payments, how soon injured workers are returning to work, and how well insurers are doing in meeting the performance standards set in statute. In addition, the report will have augmented data on where and how medical costs affect the bottom line in the system.

In the future more than one year of claims data will be available for year to year comparisons, which will highlight trends, point out changes, and follow the effects of reforms made in the system. As more and more states begin the process of compiling their own data using International Association of Industrial Accident Boards and Commissions (IAIABC) standards, the Employment Relations Division will begin comparing the performance of Montana's system with that of neighboring states and across the nation.



## Supplemental References

Two supplements are available from the Department of Labor and Industry. To request a copy of either supplement, contact Sue Thompson (phone 406-444-0981, FAX 406-444-4140).

- Settlement Attorney Fees for Fiscal Year 1996 provides detailed settlement attorney fee data.
- A copy of the detailed data used to create the annual report is contained in the Data Supplement to the Montana Workers' Compensation Annual Report for Fiscal Year 1996.







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